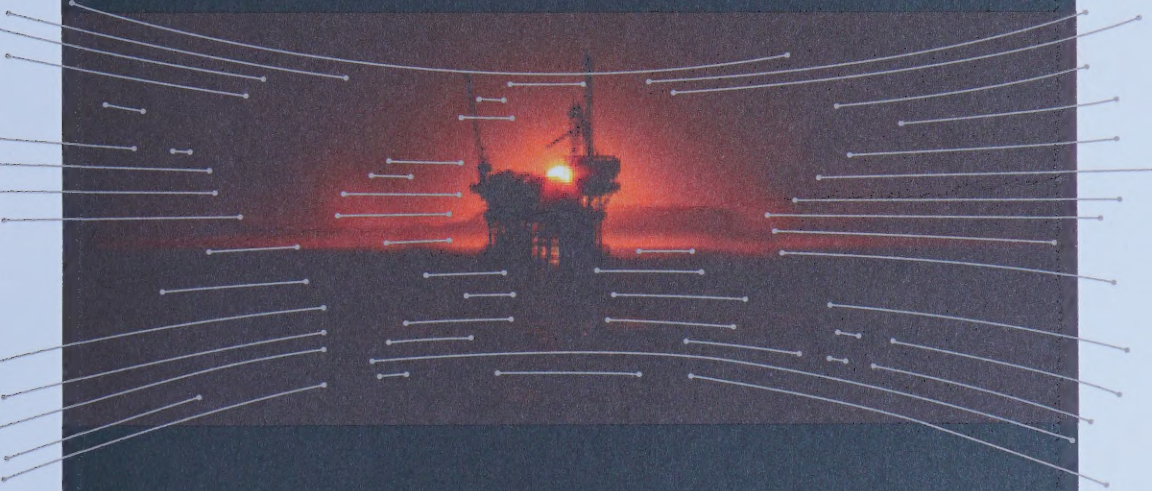




global reach.

Advancing the global energy industry

Photo courtesy of NOV.



McCoy's business is largely driven by the drill bit – the fortunes of much of our business are determined by the number of active oil and gas drilling rigs in the regions that we serve. Our Energy Products & Services segment's products are, for the most part, sold globally, so the world-wide active rig count is driving this part of our business. This is providing the Company with continuing growth while western Canadian rig utilization, the primary business driver of our Trailer Manufacturing and Truck & Trailer Products & Services segments, has fallen off over the last two years.

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financial highlights

Operations (\$ thousands)	2008	2007	2006	2005	2004
Revenue	168,395	161,061	144,499	104,537	52,134
EBITDAS	17,875	17,821	16,830	11,169	5,093
Net earnings before discontinued operations	(5,553)	8,706	8,383	6,302	2,765
Net earnings	(5,553)	8,103	7,865	5,890	2,343
Cash flow from continuing operations	12,028	14,123	2,455	8,779	3,881
Per Common Share (\$)	2008	2007	2006	2005	2004
Net earnings (loss)					
basic before discontinued operations	(0.20)	0.36	0.45	0.35	0.16
basic	(0.20)	0.34	0.42	0.33	0.13
diluted before discontinued operations	(0.20)	0.36	0.43	0.33	0.16
diluted	(0.20)	0.33	0.40	0.31	0.13
EBITDAS	0.65	0.75	0.90	0.62	0.29
Cash flow from continuing operations	0.44	0.59	0.13	0.49	0.22
Share price (year end)	1.35	3.05	6.10	6.30	2.80
Financial (\$ thousands)	2008	2007	2006	2005	2004
Working capital	32,904	30,965	9,838	8,106	6,822
Bank indebtedness	-	-	8,832	4,507	4,281
Long-term debt	11,156	14,414	15,168	2,394	2,200
Due to related parties	-	-	-	-	4,144
Shareholders' equity	68,151	76,060	30,161	17,477	11,429
Common shares outstanding (thousands)	26,476	27,866	19,320	18,303	17,649

• global reach - global challenges

The global reach of our sales enabled us to post our seventh consecutive year of revenue and operating earnings growth. This performance was driven by our Energy Products & Services (EP&S) segment, which had its best year ever. Why? Because the markets for most of its products are global. In 2008, 61% of EP&S' sales were to customers outside of Canada, effectively reaching all corners of the global oil and gas marketplace. For much of 2008 the global oil and gas industry, supported by high commodity prices and available credit, remained healthy, enabling our EP&S segment to post growing sales with solid margins.

The western Canadian and global economy confronted us with some sizeable hurdles over the course of the year. 2008 started with reduced activity in the western Canadian oil and gas market and, after a brief improvement in the second quarter driven by rising oil prices, ended with a worldwide recession well underway. Our local western Canadian markets suffered throughout the year, and the accelerating global financial crisis in the second half of 2008 negatively impacted our international business. As worldwide oil and gas

In 2008, 61% of EP&S' sales were to customers outside of Canada, effectively reaching all corners of the global oil and gas marketplace.

demand shrunk, excess capacity caused commodity prices to decline. As a result, local and international oil and gas exploration and production companies began scaling back their operations and the global active rig count contracted. This, combined with restricted credit availability, caused our customers to begin reducing their capital equipment purchases. These factors, as well as the significant drop in the Company's market capitalization caused the Company to reevaluate its Goodwill assets. This resulted in a non-cash impairment charge of \$14.9 million. While our Trailer Manufacturing segment was hit hardest, the softening of the global drilling equipment market has necessitated workforce reductions and trimming of operating expenses even in our highly successful EP&S segment.

The Truck & Trailer Products & Services (TTP&S) segment started the year slowly, but managed to end stronger because, although it is heavily exposed to the western Canadian economy, our TTP&S business depends largely on maintenance budget spending. Maintenance requirements increase when customers reduce their capital expenditures because, without new equipment to replace it, companies generally have to spend more on maintaining their older equipment in order to keep it running longer. However, increased maintenance business for the segment was offset to some extent by a decline in new parts sales for mobile oil and gas equipment, causing the segment to show a basically flat year. The corrective actions that we took in 2007, selling



our Fort St. John location and closing our Prince George location, have improved the cash flow and profitability of this segment and no further changes are planned for TTP&S at this time.

In our Trailer Manufacturing segment we strove to find innovative solutions to maintain sales and profits in an ailing western Canadian industry operating at approximately 30% of its capacity. The one bright spot in an otherwise dismal year for the segment was the delivery of a large contract order of specialized oilfield rig chassis to the Middle East, once again highlighting the benefits of global diversification. Declining sales and shrinking margins caused the segment to record a loss and suffer a severe tightening of cash flow in 2008. We responded throughout the year by aggressively reducing operating expenses and capital expenditures, and cutting the segment's workforce by about 50%.

2008 was a good year for our Corporate Social Responsibility (CSR) programs. Our CSR programs consist of Health, Safety and Environmental (HS&E) programs, and community involvement, including charitable activities, sponsorship and volunteerism. In 2008 we set the bar high for HS&E programs and all of our business units were up to the challenge, consistently meeting or surpassing their targets. In addition to meeting or exceeding all relevant external regulations regarding health, safety and the environment, we facilitate and support the training, equipment and procedures needed to ensure the health and safety of all employees at our worksites. We are committed to providing HS&E programs that protect our workers, equipment, the public and the environment from harm. This is essential to the ongoing productivity, profitability, growth and overall success of our business.

McCoy is dedicated to minimizing its environmental footprint. For example, in 2008 we significantly improved the Environmental Performance System at Inotec, our Edmonton-based coatings and hydraulics operation, through process improvements and equipment upgrades. We also implemented additional recycling and energy saving measures across the Company. All of these actions make sense for the environment, our community and for our business.

We also had an active year for community involvement. We supported many charities and sponsored several community events and organizations, and volunteering was prevalent throughout the organization. Not only did the Company donate to local education, health and junior sports for disadvantaged children, but as well our employees donated their own time and money to several worthy causes. For example, employees donated \$800 and over 1,000 books to a local school library, and sold tickets at an Oil Kings hockey game in support of providing sports equipment to underprivileged children.

We reviewed several acquisition opportunities in 2008, but did not close any transactions due primarily to high price expectations of sellers in an increasingly risky business environment. We believe that a disciplined approach to acquisition pricing has protected the Company from overpaying just to get a deal done, and then being disappointed with the performance of our new operation. As a result, we held on to our acquisitions capital in 2008. While we expect sellers to reduce their valuation expectations in 2009, the continuing uncertainty surrounding future revenue streams of potential acquisitions creates challenges for completing transactions. This leaves us with a cautious approach to acquisition opportunities, particularly larger transactions.

Our strategy to become a company with \$500 million in sales by 2013 was envisioned at a time when oil was priced close to \$100 per barrel and credit markets were strong and vibrant. In 2009, cost cutting measures are ongoing. Expenditures are under constant scrutiny and budgets are reviewed and adjusted on an ongoing basis. Our growth strategy remains viable, but our "batten the hatches" operating stance in 2009, with reduced capital expenditures, tight discretionary budgets, and the

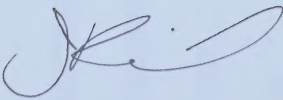
difficulty that uncertain markets have caused us in executing on acquisitions, have forced us to rethink the amount of time that we will require to reach our growth targets. At this point we are expecting the worst and hoping for better. Even if oil quickly recovers to the \$90 per barrel level, our strategy will be delayed by six months to a year as our businesses will take time to rebound and drive significant organic growth. Likewise it will take a similar amount of time for customer demand to stabilize to a point where the revenue and earnings of acquisition targets are reasonably predictable.

Going forward, a primary focus of our company is to continue to grow our international business because we believe strongly that the global oil and gas marketplace, with its broadly diversified customer, geographic and geologic base, will continue to outperform the local western Canadian market. Thanks to our application of sound financial and operational practices throughout the Company

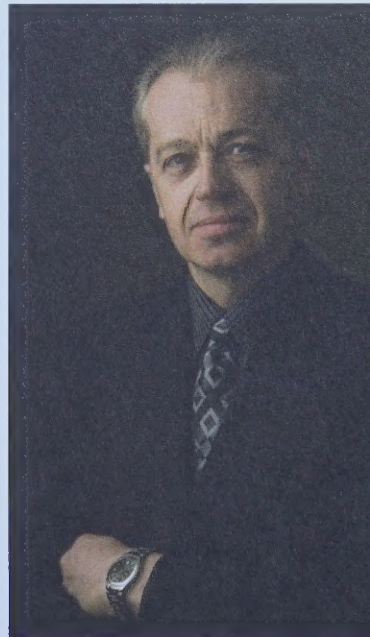
We reviewed several acquisition opportunities in 2008, but did not close any transactions due primarily to high price expectations of sellers in an increasingly risky business environment.

over a number of years, McCoy is well positioned to weather the recession and emerge as a stronger company. We will continue to refine our operations through our lean manufacturing initiatives and integration of operating entities to continually improve efficiencies. As well, we believe that we have a reasonable chance of executing one or more accretive acquisitions in 2009 if the markets begin to stabilize. We will be looking to exploit situations that may only arise in the current economic environment, and are optimistic that the coming year may generate some excellent windows of opportunity.

Our global sales have enabled us to grow in a very difficult economic environment in 2008. Our dedicated management team is committed to position the Company for continued growth once the economic downturn recovers. Our overall objective continues to be to profitably grow the business and extend McCoy's global reach for the benefit of you, our shareholders.



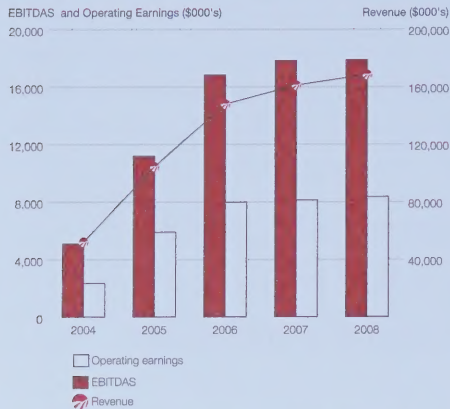
Jim Rakievich
President and Chief Executive Officer
March 2009



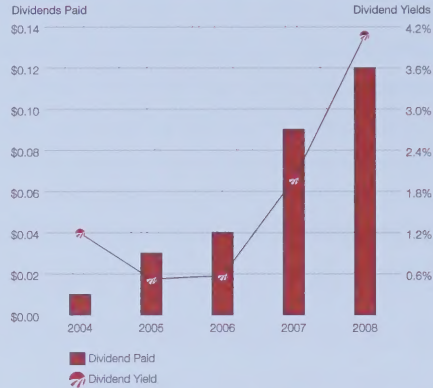
five year performance

2008 was McCoy's seventh consecutive year of revenue, EBITDAS⁽¹⁾ and operating earnings⁽²⁾ growth. McCoy has grown its dividend as its results improved and in 2008 the dividend yield on the average quarterly closing share price was 4.1%.

Revenue, EBITDAS and Operating Earnings



Dividends Paid and Dividend Yields

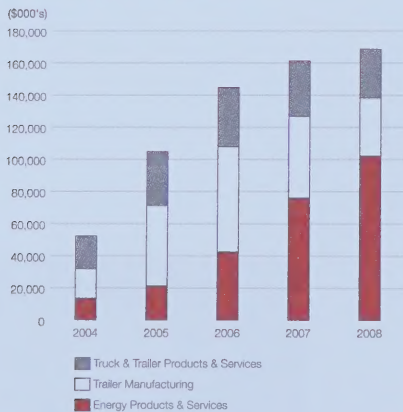


(1) Earnings before interest, taxes, depreciation (including non-cash impairment of good will and intangibles), amortization and stock-based compensation.

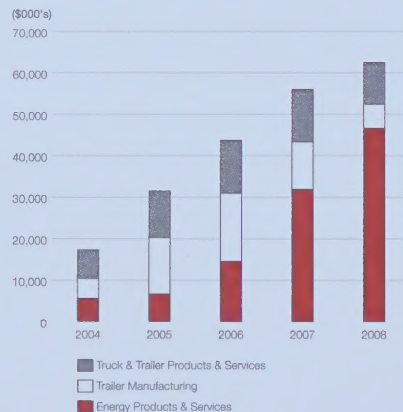
(2) Earnings before non-cash impairment of goodwill and intangibles.

Results by operating segment over the past five years demonstrate the consistent growth in McCoy's Energy Products & Services (EP&S) segment. The growth in this segment has been both organic and through acquisition, with a focus on increasing the Corporation's exposure to the global conventional onshore and offshore upstream oil and gas market.

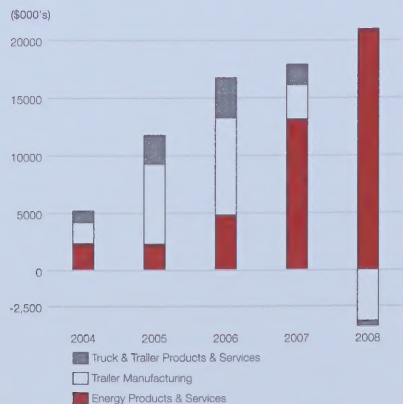
Revenue by Operating Segment



Gross Profit by Operating Segment



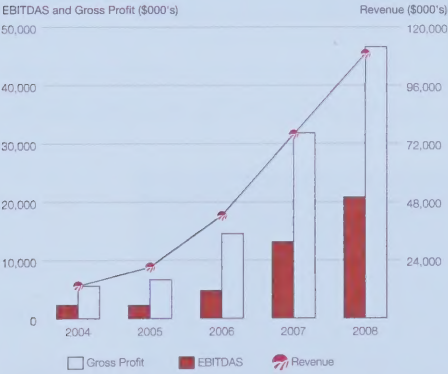
EBITDA by Segment



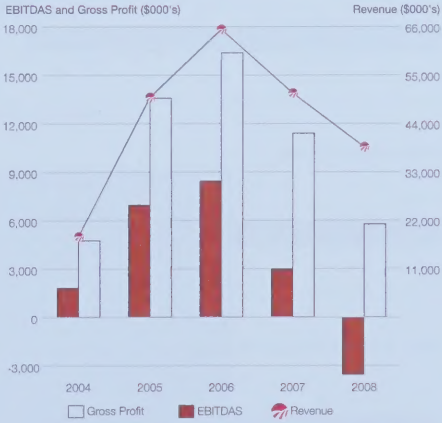


The results of the Trailer Manufacturing segment and, to a lesser extent, the Truck & Trailer Products & Services (TTP&S) segment, reflect the performance of the western Canadian economy and, in particular, drilling activity in the Western Canadian Sedimentary Basin (WCSB). The TTP&S segment's results are less volatile because it derives most of its revenue from maintenance of existing equipment, rather than sales of new equipment.

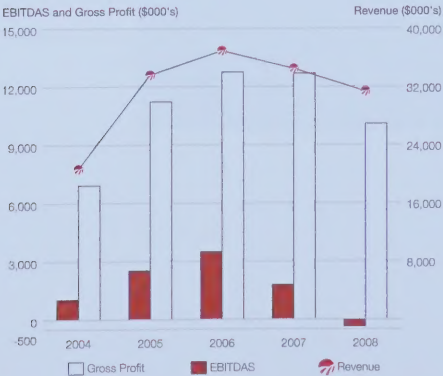
Energy Products & Services



Trailer Manufacturing



Truck & Trailer Products & Services



sales by industry

McCoy has benefited from its exposure to the international conventional upstream oil and gas industry, which has allowed the company to post continuing growth in 2008 while economic activity in western Canada has waned. In 2008, 39% of the Corporation's revenue was derived from sales to the oil and gas industry outside of Canada, while 40% was related to oil and gas drilling activity in the WCSB. McCoy's third largest revenue source in 2008 was the construction industry, at 7%.

The EP&S operating segment has by far the greatest exposure to the international conventional upstream oil and gas industry, at 61% of its 2008 sales. 31% of this segment's 2008 sales came from the WCSB, with most of the balance from Alberta's oilsands. Growth in this segment will continue to be focused on international oil and gas.

The Trailer Manufacturing operating segment derives most of its revenue, 71% in 2008, from sales of new equipment related to WCSB drilling activity. Trailers are also manufactured for the construction and forestry industries, and in 2008 this segment was successful in increasing its exposure to the international conventional upstream oil and gas industry, with 9% of its revenue derived from this source.

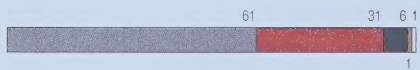
Although, like Trailer Manufacturing, the largest portion of the TTP&S operating segment's sales come from the WCSB (31% in 2008), this segment is relatively diversified. Like Trailer Manufacturing, construction and forestry were contributors, but municipalities and waste management are also significant sources of sales.

Revenue (%) 2008

McCoy



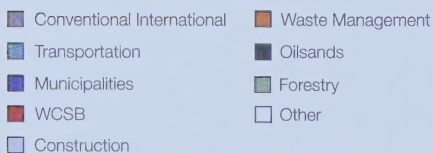
Energy Products & Services



Trailer Manufacturing



Truck & Trailer Products & Services



In 2008, 39% of the Corporation's revenue was derived from sales to the oil and gas industry outside of Canada.

1. Live within our means and demonstrate prudent management in difficult times

	Energy Products & Services	Trailer Manufacturing	Truck & Trailer Products & Services	Corporate
Improve efficiencies	Lean manufacturing			
	Integrate operating entities			
	Farr/Superior/ RP Manufacturing	Scona/Peerless (trailers)	Real McCoy/ Peerless (parts)	
Protect the balance sheet	Workforce reductions as warranted			
	Reduce operating expenses			
	Reduce capital expenditures			
				Reduce dividend

2. Participate in the full life cycle of our products

	Energy Products & Services	Truck & Trailer Products & Services
Parts and service business	Develop replacement parts and service business related to manufactured products	
	McCoy and competitor products	Grow Peerless parts business

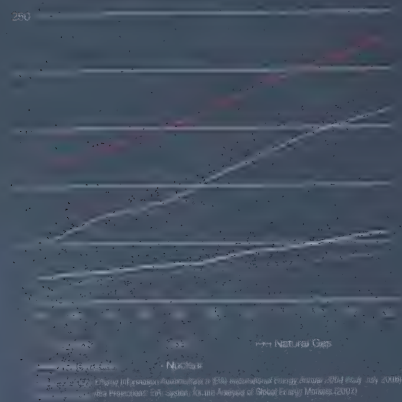
3. Profitably grow and reduce cyclicalty of the business

	Energy Products & Services	Trailer Manufacturing	Truck & Trailer Products & Services
Focus	High margin sales		Recurring business and maintenance
Acquisitions	Cautious and opportunistic		
	Global conventional oil and gas (land/offshore)	Construction and infrastructure	
Broaden scope	Non-conventional oil and gas (including oilsands)	Wind energy	
	Expand sales geographically		

business drivers

McCoy's business is driven by the oil and gas drill bit, which in turn is driven by world energy use. As the world's use of petroleum liquids and natural gas continues to grow, oil and gas producers will continue to need to find new sources of oil and gas. This will continue to drive growth in our business.

World Energy Use



By the end of 2010, global oil reserves are expected to be around 1.5 trillion barrels. In 2000, oil reserves were expected to be around 1.5 trillion barrels. In 2010, oil reserves are expected to be around 1.5 trillion barrels.

Morgan Stanley Rig Count Forecast

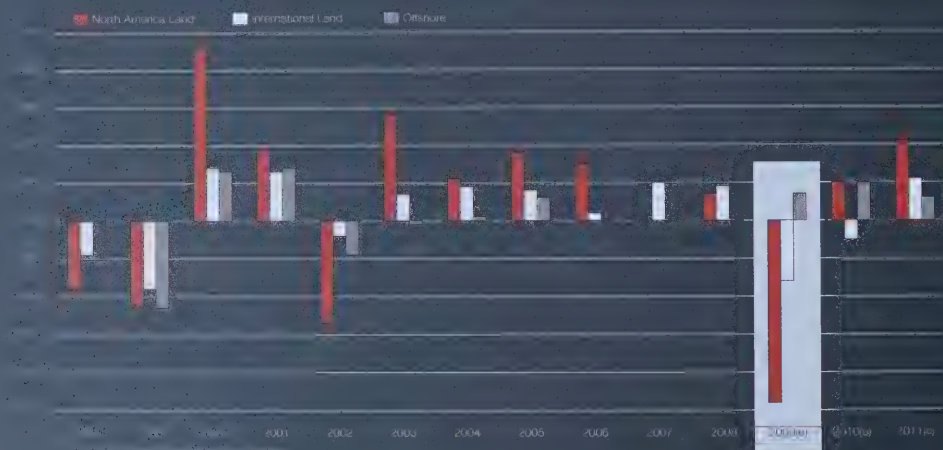
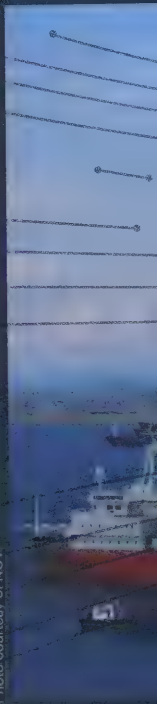
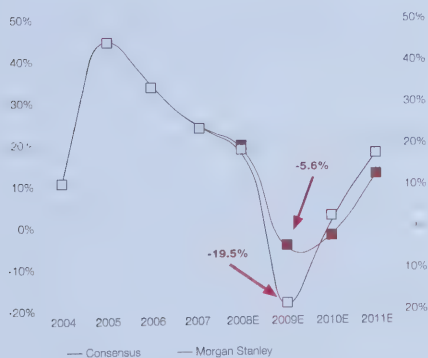


Photo courtesy of NOV



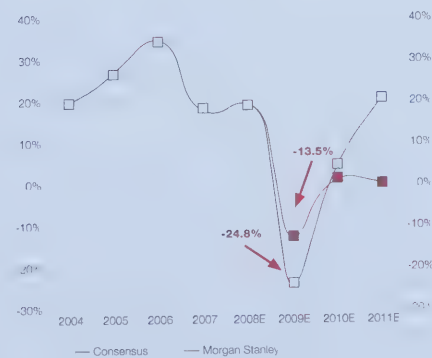


Equipment Revenue Growth



Source: FactSet, Company data. Morgan Stanley Research includes historical figures and MS vs consensus projection of top line growth for the average of NOV, CAM, FTI, IS, DRC, DRQ, and GTLS

Oil Services Revenue Growth



Source: FactSet, Company data. Morgan Stanley Research includes historical figures and MS vs consensus projection of top line growth for SLB, HAL, WPT, Bkr, SII and BLS

international markets

North America

Europe

South America

Africa

McCoy sells products to customers on six continents, primarily focused on the international conventional upstream oil and gas industry. Global sales have enabled the company to grow in a very difficult economic environment in 2008.

Africa

Algeria, Angola, Egypt, Ivory Coast, Libya, Nigeria, South Africa

Asia

Azerbaijan, China, India, Indonesia, Malaysia, Pakistan, Russia, Singapore, Timor

Australia & New Zealand

Canada

Alberta, British Columbia, New Brunswick, Nova Scotia, NWT, Ontario, Saskatchewan

Caribbean

British Virgin Islands, West Indies

Europe/North Sea

Belgium, Bulgaria, Denmark, France, Germany, Italy, Netherlands, Norway, Poland, United Kingdom

Mexico/Gulf of Mexico

Middle East

Bahrain, Jordan, Oman, Saudi Arabia, Syria, UAE, Yemen

South America

Brazil, Chile, Colombia, Guyana, Uruguay, Venezuela

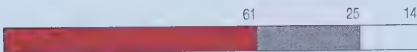
USA

Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Idaho, Indiana, Illinois, Kansas, Louisiana, Michigan, Minnesota, Mississippi, Montana, Nebraska, North Dakota, Ohio, Oklahoma, Oregon, Tennessee, Texas, Utah, Virginia, Wisconsin, Wyoming, Washington



Revenue (%) 2008

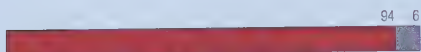
McCoy



Energy Products & Services



Trailer Manufacturing



Truck & Trailer Products & Services

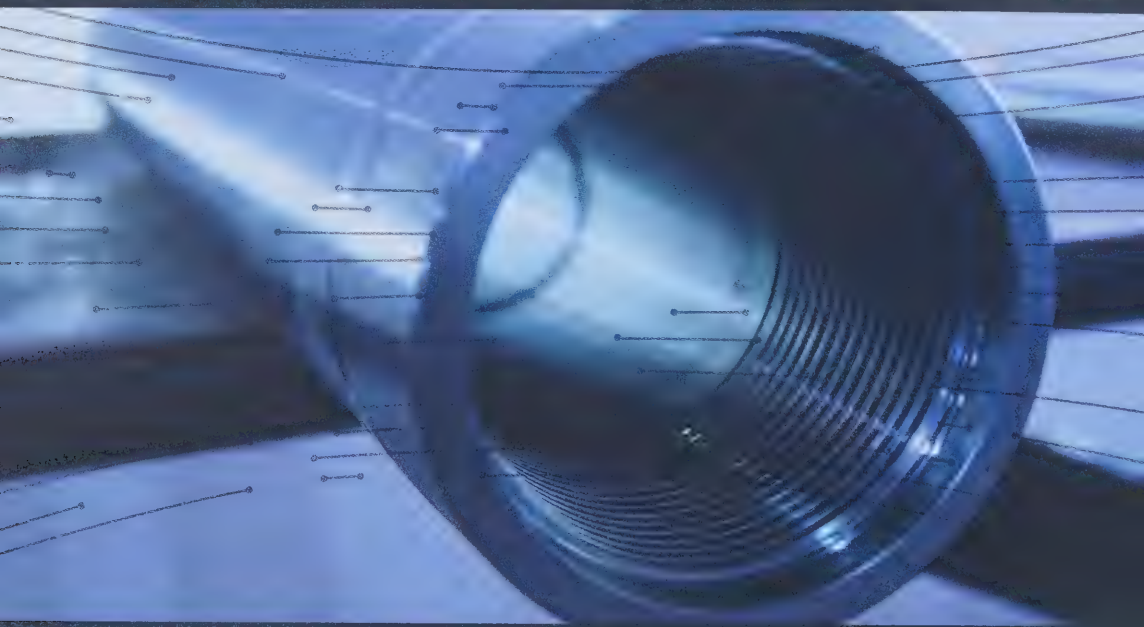


■ Canada ■ United States □ International

2008 international sales originated primarily from McCoy's Energy Products & Services segment.

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A"), concerning the operating and financial results for McCoy Corporation ("the Corporation" or "McCoy") for the three and twelve months ended December 31, 2008, should be read in conjunction with the Corporation's audited Consolidated Financial Statements and associated notes for the fiscal year ended December 31, 2008, which were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A is as of March 11, 2009 and provides information on the activities of the Corporation on a consolidated basis. All amounts are expressed in Canadian dollars unless otherwise stated.



Certain statements in this MD&A may constitute “forward looking statements” and although management of the Corporation believes that its expectations are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Expressions such as “anticipate”, “expect”, “believe”, “estimate” or “forecast” are used to identify these forward looking statements. Such forward looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These statements are based on conditions as of the date of this MD&A and the Corporation does not undertake to update any forward looking statements that are contained herein except in accordance with applicable securities laws.

vision, strategy and core businesses

McCoy's operating segments are as follows: Energy Products & Services (“EP&S”), Trailer Manufacturing, and Truck & Trailer Products & Services (“TTP&S”).

McCoy's Vision is to become a widely recognized, rapidly growing public company offering customer focused solutions and superior opportunities for employees, shareholders and community stakeholders.

The EP&S segment consists of Farr Canada (“Farr”), a division of McCoy Corporation, and Inotec Coatings and Hydraulics Inc. (“Inotec”), both located in Edmonton, Alberta; Superior Manufacturing & Hydraulics, Inc. (“Superior”) and Precision Die Technologies, L.L.C. (“PDT”) both located in Lafayette, Louisiana; and Rebel Metal Fabricators Ltd. (“Rebel”) located in Red Deer, Alberta. The Corporation will continue to pursue growth of the EP&S segment through organic growth from existing operations and strategic acquisitions as demonstrated by the acquisition of Rebel in the second quarter of 2005, Inotec during the third quarter of 2006, and Superior and PDT on July 31, 2007. The EP&S segment will continue to implement lean manufacturing techniques to increase capacity, enabling further expansion in new geographic markets, and to increase productivity and reduce per unit costs. In addition to growth through the acquisition of growing, profitable, complementary companies, this segment intends to generate organic growth through increasing the proportion of international sales and focusing on growth markets such as global offshore, the Middle East, Asia, the former Soviet Union, Brazil, and the North American oil sands mining sector.

In addition, the development of new products that provide the Corporation with a competitive advantage using innovative technologies will continue in 2009. As the worldwide active drilling rig count has declined since mid-2008, the capital spending by many of our customers has decreased and this has resulted in a reduction of demand for the products related to the EP&S segment. As a result, the Corporation has reacted to this downturn and has implemented cost controls including reductions in both hourly and salaried staff, lowering of capital expenditures and a strong focus on reducing expenses where possible.

The Trailer Manufacturing segment consists of Scona Trailer Manufacturing ("Scona"), a division of McCoy Corporation in Edmonton and the trailer manufacturing portion of Peerless Limited ("Peerless") located in Penticton, British Columbia. This segment is involved primarily in the manufacture of custom heavy duty trailers used in the oilfield, forestry and construction industries. Trailer Manufacturing will continue to pursue manufacturing efficiencies to eliminate waste, reduce inventory, and increase throughput. This segment will pursue growth through market expansion into new geographies such

McCoy's Mission is to provide the Corporation's customers with quality innovative solutions in the manufacture and service of targeted resource industry related products.

as the United States and overseas, diversification into less cyclical markets such as wind energy, and product development using its engineering expertise. The focus for 2009 will include significant cost structure reductions in a very depressed market. This includes a continued reduction in both hourly and salaried staff as required at both operations, cutting capital spending and a continued focus on lowering all expenses. We also continue to develop efficiencies and align the business processes between the two trailer manufacturing business units.

The TTP&S segment, with seven locations in Alberta and British Columbia, is the Corporation's original business segment. This segment is involved primarily in providing specialized heavy-duty truck and trailer maintenance and repairs, including retail sales of truck and trailer parts. It consists of "The Real McCoy Service Centres", with two centres located in Edmonton and one in Red Deer, and the non-manufacturing component of Peerless, which carries on retail parts and service operations in Edmonton and has retail parts outlets in Grande Prairie, Alberta and Penticton, British Columbia. The Corporation also owns a 50% interest in Prairie Truck Ltd., an International Truck dealership in the business of truck sales, parts and service located in Grande Prairie. Growth of this segment will be undertaken through organic growth, geographic market expansion and the acquisition or start up of new facilities in McCoy's specialized service industry. There has been little or no consolidation in Canada with respect to this sector of the market. In 2009, this segment is focused on consolidating the management software to one system which is expected to result in increased efficiencies and reduced administration costs. In addition, this segment, like the rest of the Corporation, is focused on tightening expenses wherever possible, considering the anticipated continuance of the general economic slowdown.

discontinued operations

On December 31, 2007 the Corporation sold its Real McCoy Service Centre in Fort St. John, British Columbia and sublet the building to a Western Star truck dealership. The balance of the assets were transferred to other business units to be used in continuing operations. The results of this operation have been treated as discontinued in the financial statements. Revenues of \$1,994,325 for the year ending December 31, 2007 from this discontinued operation are excluded from total revenues in the Statement of Earnings and Comprehensive Income. All other amounts in this MD&A also reflect the exclusion of the results of the Fort St. John operation.

Effective February 28, 2009, the Corporation acquired through a U.S. subsidiary, 100% partnership interest in Conroe, Texas based Texas Breakout II, L.P. which operates under the business name of RP Manufacturing and Calibration ("RP").

RP is the second largest global supplier of make/break machines. Make/break machines, also known as "breakout" or "torque" machines, are used for assembling oil and gas well downhole tool strings and testing pipe connections. RP provides full life cycle, recurring revenue business including parts and service support. The purchase price, subject to post closing adjustments, was USD \$1,100,000 in cash.

This acquisition will fit into our Energy Products & Services segment as it serves the same customers as Farr and Superior and offers a complementary product to theirs.

goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values at the date of acquisition. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the business combination.

Goodwill is not amortized but is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination as described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. If this fair value is less than the book value of the existing goodwill, an impairment write-down is booked.

As a result of performing the test described above, it was determined that an impairment had occurred which resulted in a non-cash impairment charge of \$14,000,000.

The Corporation will continue to review the value attributed to goodwill annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

intangibles

Infinite life intangibles are not amortized but are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The carrying amount of the intangibles is compared with its fair value. When the carrying value of the intangibles exceeds its carrying amount, intangibles of the reporting unit are considered to be impaired.

As a result of performing the test described above, it was determined that an impairment had occurred which resulted in a non-cash impairment charge of \$900,000.

The Corporation will continue to review the value of the infinite life intangibles annually or more frequently if events or changes in circumstances indicate that the intangibles might be impaired.

financial highlights

12 Months Ended December 31 (\$)	2008	2007	2006
Total revenue	168,394,962	161,060,921	144,498,547
Net (loss) earnings before discontinued operations	(5,552,734)	8,706,453	8,383,081
Net (loss) earnings for the year	(5,552,734)	8,103,327	7,864,857
Basic (loss) earnings per share before discontinued operations	(0.20)	0.36	0.45
Basic (loss) earnings per share	(0.20)	0.34	0.42
Diluted (loss) earnings per share before discontinued operations	(0.20)	0.36	0.43
Diluted (loss) earnings per share	(0.20)	0.33	0.40
EBITDAS ⁽¹⁾	17,875,493	17,821,016	16,830,089
EBITDAS ⁽¹⁾ per share	0.65	0.75	0.90
Total Assets	100,586,569	116,197,177	82,287,882
Total Liabilities	32,435,885	40,136,679	52,127,373
Total Long Term liabilities	10,845,147	14,903,185	14,744,679

McCoy's 2008 financial results reflect the continued negative impact of the slowdown in the Western Canadian Sedimentary Basin ("WCSB") on the Trailer Manufacturing segment and the TTP&S segment largely offset by increased revenues and earnings in the EP&S segment due in part to the five months of results from Superior and PDT in 2007 versus a full year of results in 2008. The EP&S segment also experienced organic growth from both Farr and Superior for the last five months of 2008 compared to the same period in 2007.

The year was also impacted by a non-cash impairment of goodwill and intangibles. The table below illustrates the impact of this impairment charge to the year.

12 Months Ended December 31	2008			2007
(\$000's except per share amounts)	Per Financial Statements	Goodwill and Intangibles Impairment	Before Goodwill and Intangibles Impairment	Per Financial Statements
Net (loss) earnings before taxes	(2,975)	14,900	11,925	12,491
Taxes	2,578	(1,000)	3,578	4,388
Net (loss) earnings	(3,553)	13,900	8,347	8,103
Basic (loss) earnings per share	(0.20)	0.50	0.30	0.34
Diluted (loss) earnings per share	(0.20)	0.50	0.30	0.33

The Corporation's Board of Directors declared and paid a regular quarterly dividend of \$0.03 per common share on December 31, 2008 to the shareholders of record at the close of business on December 17, 2008. The Corporation's Board of Directors also declared and paid a quarterly dividend of \$0.03 per common share on September 30, June 27 and March 28, 2008 and December 28, 2007, and \$0.02 per common share on March 30, June 29 and September 28, 2007, and \$0.01 per common share on March 15, June 15, September 15, and December 15, 2006. There is a risk that

the Corporation decreases the dividend or entirely suspends the dividend if current market conditions persist for a long period of time.

(1) EBITDAS

EBITDAS is a non-GAAP measurement defined as earnings before interest, taxes, depreciation, amortization (including non-cash impairment charges) and stock-based compensation. The Corporation reports on EBITDAS because it is a key measure used by management to evaluate performance. EBITDAS is utilized in measuring compliance with debt covenants and in making decisions relating to distributions to shareholders. The Corporation believes EBITDAS assists investors in assessing McCoy's performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods or non-operating factors such as historical cost.

EBITDAS is not a calculation based on Canadian GAAP and is not considered an alternative to net earnings in measuring the Corporation's performance. EBITDAS does not have a standardized meaning and is therefore not likely to be comparable with similar measures used by other issuers. However, the Corporation calculates EBITDAS consistently from period to period. EBITDAS should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, capital expenditures, debt changes and other sources and uses of cash, which are disclosed in the consolidated statement of cash flows.

EBITDAS has been calculated as follows:

12 Months Ended December 31 (\$)	2008	2007	2006
Net (loss) earnings for the year	(5,552,734)	8,103,327	7,864,857
Income taxes	2,577,368	4,387,569	4,609,775
Interest on debt	893,600	1,244,254	1,297,778
Amortization	4,474,024	3,517,379	2,427,408
Goodwill and intangibles impairment	14,900,000	-	-
Stock-based compensation	583,235	568,487	630,271
EBITDAS	17,875,493	17,821,016	16,830,089

results of operations

sales by operating segment

12 Months Ended December 31 (\$)	Energy Products & Services	Trailer Manufacturing	Truck & Trailer Products & Services	Inter-Segment Eliminations	Total
2008 sales	105,880,444	38,627,976	31,302,710	(7,416,168)	168,394,962
2007 sales	75,729,828	53,263,267	35,897,979	(3,830,153)	161,060,921
Annual Percentage Increase (decrease)	40%	(27%)	(13%)		

Revenue for the EP&S segment increased by 40% or \$30,150,616 to \$105,880,444 in 2008 from sales of \$75,729,828 in 2007 for the following reasons:

- A full twelve months of Superior and PDT results were recorded in 2008 compared to five months in 2007, representing 86% of the increase.
- The balance of the increase is directly attributable to the continued growth of Farr and Superior as they continued to have success in the international onshore and offshore oil and gas markets.

The Corporation has taken steps such as workforce reductions and the tightening of operating expenses in light of its expectation of a further softening of the global drilling equipment market for 2009.

The Trailer Manufacturing segment experienced a significant decrease in revenue of \$14,635,291, from \$53,263,267 in 2007 to \$38,627,976 in 2008. The decrease is mainly due to the reduction in conventional oil and gas activity in the WCSB, from which the majority of revenue for the Trailer Manufacturing segment is derived. Management is taking a very conservative view on near term drilling activity due to oil and natural gas price declines in the fourth quarter of 2008 and a lack of confidence in capital equipment spending by our customers over the next 12 months. During 2008, management initiated development of two specific product lines which will reduce the segment's dependency on the WCSB. These products relate to wind energy trailing equipment. The Blade Trailer was started in 2008 with the first prototype to be completed in the second quarter of 2009. The second wind energy product is a Schnabel trailer with the prototype being ready by the end of the year. The results of these initiatives are expected to increase revenue and earnings and reduce their cyclicity over time. However, new product development takes time and in response to the immediate market slowdown management has acted on cost cutting measures which are necessary to ride out the current economic conditions in the segment. Fortunately, the recent weakening of the Canadian dollar has given the segment a price competitive advantage and rejuvenated its sales and marketing group to actively pursue U.S. oil and gas market opportunities. Management expects that there will continue to be pressure on this segment in 2009 and until local and international oil and gas exploration and production companies begin scaling up their operations and the global active rig count rebounds.

The TTP&S segment experienced a revenue decrease of \$4,595,269 from \$35,897,979 in 2007 to \$31,302,710 in 2008. The bulk of this decrease is related to a decline in sales at the Peerless parts and services locations. As trailer demand decreases, so does demand for trailer parts and services. The TTP&S segment generates almost all of its revenue in Western Canada. It is linked closely to the cyclical nature of our Trailer Manufacturing segment but it is different in that its services revenue, primarily from the Real McCoy Service Centres, comes from maintenance budgets rather than capital equipment budgets. This results in a less volatile revenue stream. In fact, a reduction in demand for new capital equipment tends to result in more maintenance spending on existing equipment to keep it operating longer. The current trend in the TTP&S segment is anticipated to continue into 2009 as the lack of sales in heavy duty trailer parts for "new build" customers remains soft and the volume of drilling activity that mobilizes equipment remains uncertain.

In addition to closing down its Real McCoy Service Centre in Fort St. John, British Columbia on December 31, 2007 (see "Discontinued Operations"), the Corporation closed its Prince George location subsequent to the 2007 year end. However the Corporation has increased its dealer network in the region to ensure McCoy's customers have local access to proprietary Peerless logging trailer parts.

12 Months Ended December 31	Energy	Trailer	Truck &	Total
	Products & Services		Trailer Products & Services	
2008 Gross Profit (\$)	46,576,598	5,751,183	10,072,898	62,400,679
2008 Gross Margin (% of total sales)	44%	15%	32%	37%
2007 Gross Profit (\$)	31,842,027	11,381,402	12,666,051	55,889,480
2007 Gross Margin (% of total sales)	42%	21%	35%	35%
Annual Gross Margin Increase (decrease)	2%	(6%)	(3%)	2%

EP&S segment's gross profit increased by 46% or \$14,734,571, from \$31,842,027 in 2007 to \$46,576,598 in 2008 for the following reasons:

- A full year of results from Superior and PDT, compared to five months for 2007, accounted for 82% of the increase; and
- The remaining increase in gross profit is attributable to organic sales growth for Farr and Superior and the manufacturing efficiencies described below achieved during the year.

The segment's gross margin increased in 2008 to 44% of sales compared to 42% in 2007 due to price increases as well as increased throughput. These trends are not expected to continue for 2009 as throughput decreases and excess industry capacity impacts pricing.

Trailer Manufacturing segment's gross profit decreased by \$5,630,219 or 49%, from \$11,381,402 in 2007 to \$5,751,183 in 2008. This decrease relates directly to the fact that in Western Canada there is currently more production capacity than demand. This has created a very competitive environment as manufacturers try to keep work in their plants or move speculative inventory. Even though all manufacturers experienced increases in input costs such as steel prices and labour costs in 2008, the highly competitive nature of the market prevented selling prices to customers from moving in the same direction. These market conditions resulted in a reduction in profit margins. Another contributing factor was the sale of logging equipment and trailers at lower than normal margins in order to reduce stagnant inventory in the current depressed logging industry market conditions. In addition, the sale of specialized contract oilfield rig chassis to the Middle East resulted in negative gross profit due to factors such as increasing steel prices and the challenges of manufacturing a product for the first time, which resulted in higher than expected labour and painting costs. The trend in the trailer manufacturing industry is expected to continue throughout 2009 and as a result the Trailer Manufacturing segment is expected to continue to operate at approximately 30% of its capacity.

The TTP&S segment's gross profit decreased by \$2,593,153, from \$12,666,051 in 2007 to \$10,072,898 in 2008 due to the continued weakness in demand resulting from the slowdown of conventional WCSB oil and gas activity. This trend is expected to continue into 2009 until the demand for the proprietary Peerless trailer parts begins to rebound. Some of this decrease is expected to be offset with stable revenue from the truck and trailer service locations. Historically, poor economic conditions result in customers holding on to older equipment rather than purchasing new and more maintenance is therefore required.

● salaries & commissions

Salaries and commissions increased \$4,868,287 or 21% in 2008 to \$27,572,487, compared to \$22,704,200 in 2007, for the following reasons:

- 81% of the increase relates to a full year of results from Superior and PDT in 2008, compared to five months in 2007.
- Also included in the salaries & commissions amount for 2008 is a severance accrual in the amount of \$210,000 for the Trailer Manufacturing segment that will result in savings of approximately \$600,000 in salary costs through to the end of 2009. As management does not expect the market for the Trailer Manufacturing segment to turn around in the short-term, it is undergoing continuous cost cutting measures and further hourly and salaried employee reductions have taken place in 2009.
- The balance of the increase relates to increased salaries and commissions in the EP&S segment as a result of and in support of the growth in production volumes and revenues.

Excluding the impact of potential acquisitions, salaries and commissions are expected to decrease in 2009 as additional and significant work force reductions have been made in all three segments as well as within the Corporate office.

● operations

Operations expenses were \$14,384,772 in 2008 compared to \$11,602,729 in 2007. This represents an increase of \$2,782,043 or 24%, attributable to the following:

- Approximately 51% of the increase relates to the inclusion of Superior and PDT for the full year in 2008, compared to five months in 2007.
- The balance of the increase relates to additional equipment repairs required as well as an increase in utility expenses as overall production volumes increased in our EP&S segment.

Excluding the impact of potential acquisitions, operations expenses are expected to decrease in 2009 as sales volumes decrease and expenses are sharply trimmed.

● amortization

Amortization expense of \$4,474,024 in 2008 represents a \$956,645 or 27% increase from amortization expense of \$3,517,379 in 2007. The increase is due to the following reasons:

- 38% of the increase relates to a full year of amortization of assets for Superior and PDT in 2008, compared to five months in 2007.
- The balance of the increase relates to the added amortization of intangibles and fair value from the Superior and PDT acquisitions in 2007.

Management expects this trend to continue in 2009.

● interest on debt

Interest on debt of \$893,600 in 2008 represents a \$350,654 or 28% decrease from interest expense of \$1,244,254 in 2007. The Corporation took on additional debt to complete the purchase of Inotec in 2006. However the Corporation's equity financing in June 2007 allowed it to pay off all of its operating

line, therefore the interest expense for 2008 has decreased. Management expects that there will be an increase in this expense on the renewal of its credit facilities in the second quarter of 2009. This will be partially offset by the low subordinated debt rate that is set for an additional 3 years and follows prime.

selling

Selling expenses increased by \$737,103 in 2008 or 64% in 2008, to \$1,893,903 from \$1,156,800 in 2007. In terms of a percentage of sales, this was a nominal change. The increase in selling expenses was attributable to the following:

- 66% of the increase is due to the inclusion of a full year of operations of Superior and PDT in 2008, compared to five months in 2007.
- The balance of the increase relates to continued marketing efforts to expand McCoy's product lines in the Trailer Manufacturing segment, which required an increase in travel expenses. McCoy Corporation has increased international sales as a percentage of revenue from 29% for 2007 to 39% over the same period in 2008. Marketing and sales efforts will continue to reflect the strategic goal of generating a significant amount of revenue from international customers. Management expects selling expenses to increase as a percentage of sales in 2009.

corporate services

Corporate services expenses increased from \$1,113,338 in 2007 to \$2,070,839 in 2008, or 86%.

- Approximately 19% of the increase relates to increased rents associated with relocating McCoy's corporate office in 2008 due to inadequate space at the prior location.
- Approximately 13% of the increase is due to increased travel by the executive group, from Edmonton to Superior and PDT in Louisiana as integration occurs, and travel and expenses related to strategic acquisition activities and increased investor relations efforts.
- Additional professional services (including audit fees, IFRS consultation and a review of our IT systems) accounted for approximately 27% of the increase.
- Approximately 25% of the increase relates to costs incurred by the Corporation for training and development of staff and the addition of a disability management program and an employee assistance program not present in 2007.
- Increased investor relations consulting expenses also contributed 15% of these costs.

This level of expense is not expected to continue in 2009 as McCoy trims Corporate Services costs.

foreign exchange

As a result of the significant weakening of the Canadian dollar against the US dollar during 2008, the Corporation incurred a foreign exchange gain in the amount of \$955,487, compared to a loss of \$905,359 for the comparative period in 2007. The annual gain is the net effect of exchange rate fluctuations on the translation of foreign currency balances to Canadian dollar balances as at December 31, 2008 as well as the conversion of certain US dollar balances to prevent draws on the line of credit. The Corporation typically holds a net US dollar working capital position, so foreign exchange gains or losses will continue as long as the Canadian to US dollar exchange rate fluctuates. The Corporation has entered into foreign exchange contracts for 2009 to reduce these fluctuations.

- stock based compensation

Stock based compensation of \$583,235 in 2008 represents a 3% increase from \$568,487 over the prior year. This level of expense is expected to continue in the coming year unless additional stock options are granted, in which case the expense would then be expected to increase.

- summary of quarterly results (\$'000's)

(\$)	2008					2007				
	Mar 31	June 30	Sept 30	Dec 31	Total	Mar 31	June 30	Sept 30	Dec 31	Total
Total revenue	35,942	44,201	47,017	41,235	168,395	42,140	39,370	36,376	43,175	161,061
Net earnings (loss) before discontinued operations	1,800	2,790	1,909	(12,060)	(5,561)	3,069	2,105	1,715	1,817	8,706
Net earnings (loss)	1,800	2,790	1,909	(12,060)	(5,561)	2,939	1,942	1,542	1,680	8,103
Basic earnings (loss) per share before discontinued operations	0.06	0.11	0.07	(0.44)	(0.20)	0.16	0.10	0.07	0.07	0.36
Basic earnings (loss) per share	0.06	0.11	0.07	(0.44)	(0.20)	0.15	0.09	0.06	0.06	0.34
Diluted earnings (loss) per share before discontinued operations	0.06	0.11	0.07	(0.44)	(0.20)	0.16	0.10	0.07	0.07	0.36
Diluted (loss) earnings per share	0.06	0.11	0.07	(0.44)	(0.20)	0.15	0.09	0.06	0.06	0.33

The first quarter of 2008 experienced decreased revenues compared to 2007 due to the decrease in activity in the WCSB as order books declined, primarily in the Trailer Manufacturing segment. The Corporation experienced consecutive record high revenues in the second and third quarters of 2008 due in part to the increased international sales in the EP&S segment. The fourth quarter of 2008 experienced decreased revenues due the decreased activity in the WCSB, including the Western Canadian oil sands. The fourth quarter of 2008 also includes a writedown of goodwill and intangibles of \$14,900,000 not reported in the prior three quarters.

3 Months Ended December 31 (\$)

	2008	2007
Revenue	41,234,771	43,174,758
Net (loss) earnings before discontinued operations	(12,060,609)	1,816,577
Net (loss) earnings	(12,060,609)	1,679,408
Basic (loss) earnings per share before discontinued operations	(0.44)	0.07
Basic (loss) earnings per share	(0.44)	0.06
Diluted (loss) earnings per share before discontinued operations	(0.44)	0.07
Diluted (loss) earnings per share	(0.44)	0.06
EBITDAS	4,100,551	4,197,983
EBITDAS per Share	0.15	0.15
Cash flow from continuing operating activities	1,996,929	8,382,998
Cash flow from continuing operating activities per share	0.07	0.30

The fourth quarter of 2008 saw a decrease in revenue from the fourth quarter of 2007 in the amount of \$1,939,987. Most of this decrease occurred in the Trailer Manufacturing and TTP&S segments and was partly offset by increases in the EP&S segment.

The EBITDAS for the quarter was substantially unchanged for the three months ending December 31, 2008 compared to the same period in 2007 despite the decrease in revenue in the quarter. This was mostly attributable to an increase in gross margin in the fourth quarter of 2008 compared to 2007 by 2%.

Fourth quarter cash flow from continuing operating activities decreased by \$6,386,069 from 2007 due mostly to decreased cash flow from continuing the net change in non-cash working capital components of approximately \$5.9 million and the decrease in net income for the quarter.

The fourth quarter of 2008 was also impacted by a non-cash impairment of goodwill and intangibles. The table below illustrates the impact of this impairment charge on the fourth quarter results.

3 Months Ended December 31 (\$)

	2008	2007
Net (loss) earnings as stated above	(12,060,609)	1,679,408
Goodwill and intangibles impairment	14,900,000	-
Taxes	(1,000,000)	-
Net earnings before goodwill and intangibles impairment	1,839,391	1,679,408

The western Canadian and global economy confronted us with sizeable hurdles over the course of 2008 starting with reduced activity in the Western Canadian Sedimentary Basin ("WCSB"), and after a brief improvement in the second quarter driven by rising oil prices, ended with a worldwide recession well underway. The Corporation's local western Canadian markets suffered throughout the year, and the accelerating global financial crisis in the second half of 2008 negatively impacted our international business. As worldwide oil and gas demand shrunk, excess capacity caused commodity prices to decline. As a result, local and international oil and gas exploration and production companies began scaling back their operations and the global active rig count contracted. This, combined with restricted credit availability, caused our customers to begin reducing their capital equipment purchases. These factors combined with the decrease in the Corporation's market capitalization required the Corporation to assess the value of our goodwill.

liquidity and capital resources

12 Months Ended December 31 (\$)

Cash provided by operating activities from continuing operations

Cash (used in) provided by financing activities from continued operations

Cash used in investing activities from continued operations

	2008	2007	2006
Cash provided by operating activities from continuing operations	12,027,714	14,123,051	2,455,108
Cash (used in) provided by financing activities from continued operations	(9,849,686)	22,711,537	15,415,006
Cash used in investing activities from continued operations	(5,223,834)	(29,988,235)	(17,172,314)

Cash flow from operations in 2008 decreased by \$2,095,337 or 15%. Most of this decrease related to increases in non-cash working capital. Decreased cash flows from financing in 2008 compared to 2007 are partially due to the issuance of share capital pursuant to an equity financing completed in June 2007. The proceeds of the financing were used to purchase Superior and PDT, pay down the Corporation's line of credit, repurchase the Corporation's outstanding share capital and pay additional dividends. Cash used in investing was due to the purchase of property, plant and equipment. The property, plant and equipment were larger investments than in prior years.

The Corporation has approved capital expenditures for 2009 in the amount of \$5,177,433. The nature and purpose of these expenditures is mostly equipment purchases. The expected source of funds is operating cash flows and the Corporation's equipment financing revolving lease line of which \$5,640,004 is available at this time. The Corporation also had cash on hand at December 31, 2008 of \$4,449,866 and \$15,000,000 is available under the Canadian credit facility.

Management believes that, with the projected level of operations for 2009 and the availability of funds under the established credit facility, the Corporation will have sufficient capital to fund its operations. Management is monitoring economic conditions and will reduce capital spending accordingly.

normal course issuer bid

On September 26, 2008, the Toronto Stock Exchange ("TSX") accepted a notice filed by the Corporation of its intention to conduct a normal course issuer bid through the facilities of the Toronto Stock Exchange. A copy of the Notice of Intention to make a Normal Course Issuer Bid may be obtained, without charge, by contacting the Corporation.

The Corporation may purchase, from time to time, as it considers advisable, up to 1,382,015 of the issued and outstanding common shares (being approximately 5% of the issued and outstanding common shares at September 21, 2008). The maximum number of common shares that may be purchased on a daily basis is 5,476, which is equal to 25% of the average daily trading volume for the six months ended August 31, 2008. Effective November 3, 2008, the daily maximum trading volume was increased to 10,952 common shares based on the TSX's temporary relief measures until March 31, 2009.

The bid was accepted for commencement on September 30, 2008 and will continue until the earlier of September 29, 2009 and the date by which the Corporation has acquired 1,382,015 shares. Purchases will be made at the market price of the common shares

The Corporation appointed Research Capital Corporation as its broker to conduct normal course issuer bid transactions. During the three months ended December 31, 2008, 1,149,400 common shares were repurchased at an average market price of \$1.26 per common share. The discount of \$986,159 on the repurchase of the shares has been charged to contributed surplus. For the year

ended December 31, 2008, 1,400,600 common shares were repurchased at an average market price of \$1.65 per common share. The discount of \$601,934 on the repurchase of the shares has been charged to contributed surplus.

debt to equity ratio



2007

0.53 to 1

2006

1.73 to 1

The debt to equity ratio fluctuates as the Corporation completes acquisitions and alternate forms of financing are used. The Corporation has taken a conservative approach in its use of debt to finance operations and will continue to do so in the coming year.

financial instruments

The Corporation's financial instruments consist of accounts receivable, accounts payable and accrued liabilities, long-term debt and obligations under capital lease.

As at December 31, 2008, the classification of financial instruments is as follows:

- (a) Cash and temporary investments are classified as financial assets held for trading and measured at fair value. Gains and losses related to periodical evaluations are recorded in net income.
- (b) Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.
- (c) Accounts payable and accrued liabilities, long-term debt, and obligations under capital lease are classified as other liabilities and are initially measured at fair value. Subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

financial risk management

The Corporation's activities are exposed to a variety of financial risks including price risk, interest rate risk, credit risk, and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Corporation's financial performance. The risk management program is carried out by financial management in conjunction with overall corporate governance.

foreign currency risk

Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The large ratio of international to domestic sales the Corporation has experienced may increase the risk of this exposure as the Corporation's US dollar purchasing may not be enough to offset these international sales or the timing of US dollar purchases may not correspond in any given quarter, yielding unrealized foreign exchange losses. If the businesses that sell in US dollars are not able to continue to improve productivity and increase prices, then margins could also be impacted. Included in earnings for the year is \$955,487 of foreign exchange gains.

interest rate risk

The Corporation's interest rate risk arises from its floating rate bank indebtedness, floor plan financing, long-term debt and obligations under capital lease. The Corporation does not currently hold any financial instruments that mitigate this risk and management believes that the impact of interest rate fluctuations will not be significant. For each 1% change in the rate of interest on loans subject to floating rates, the Corporation would incur approximately \$58,000 in annual interest reduction or increase.

financial market risk

The Corporation's exposure to financial market risk is limited since there are no significant financial instruments in the trading portfolio and no derivatives or commodities which will fluctuate as a result of changes in market prices.

credit risk

The Corporation is exposed to credit risk through its accounts receivable with its customers. This risk is now elevated compared to prior years due to the impact the current credit markets and general economic downturn has had on the customers. The Corporation manages credit risk by following a program of credit review, rating, setting credit limits and by limiting the amount of customer credit following the credit evaluation. Allowances are provided for potential losses that have been incurred at the balance sheet date. The amounts disclosed in the balance sheet for accounts receivable are net of the allowance for doubtful accounts amounting to \$418,730 (December 31, 2007 - \$467,747). The Corporation also has foreign sales which are normally paid prior to shipping and the TTP&S segment liens any repair that is over \$1,000. For the years ended December 31, 2008 and 2007, the Corporation did not have any customer that represented greater than 10% of its revenue.

The following table sets forth details of aging of receivables

(\$)	December 31, 2008	December 31, 2007
0 to 30 days (current)	8,356,684	6,474,685
31 to 60 days	4,872,525	7,998,678
61 to 120 days	3,705,153	2,884,551
Over 120 days	1,387,034	1,354,291
Sub-total accounts receivable	18,321,396	18,712,205
Less: Allowance for doubtful accounts	(418,730)	(467,747)
Trade receivables	17,902,666	18,244,458
Other receivables	628,714	1,380,672
Total accounts receivable	18,531,380	19,625,130

liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the funding through an adequate amount of committed credit lines. Cash on hand at December 31, 2008 was \$4,449,866 and \$15,000,000 is available under the Canadian credit facility.

The following table shows the anticipated timing of future cash outflows relating to trade and other payables and finance debt.

	December 31, 2008		December 31, 2007	
	Trade and other payables	Finance debt	Trade and other payables	Finance debt
	\$	\$	\$	\$
Within one year	17,619,210	3,971,528	19,963,958	5,269,536
1 to 5 years	-	7,184,109	-	10,315,865
	17,619,210	11,155,637	19,963,958	15,585,401

fair value

The fair values of accounts receivable, accounts payable and accrued liabilities, and floor plan financing approximate their carrying values due to their short terms to maturity.

The fair values of the mortgage receivable, mortgage payable, long-term debt and obligations under capital lease approximate their carrying values since their stated interest rates approximate the current interest rates at December 31, 2008 and December 31, 2007.

capital management

The Corporation's objectives when managing its capital are to safeguard the Corporation's assets and its ability to continue as a going concern while at the same time maximizing the growth of its business and the return to its shareholders

The Corporation sets the amount of capital in proportion to risk and manages and makes adjustments to the capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Corporation may assume additional debt issue new shares, or sell assets to reduce debt

The Corporation monitors its capital on the basis of net debt/tangible net worth. Net debt is defined as total debt less the long term portion of subordinated debt. Tangible net worth is defined as the sum of share capital, contributed surplus, the long term portion of subordinated debt less amounts due from officers/affiliates, goodwill, intangible assets and future income taxes.

The following table sets forth the calculation of net debt/tangible net worth:

(\$)	December 31, 2008	December 31, 2007
Total debt	32,435,885	40,136,679
Long-term portion of subordinated debt	(2,000,000)	(3,200,000)
Total net debt	30,435,885	36,936,679
Shareholders' equity	68,150,684	76,060,498
Long-term portion of subordinated debt	2,000,000	3,200,000
Goodwill	(11,104,097)	(23,217,313)
Intangibles	(12,475,879)	(14,309,947)
Future tax	(2,306,898)	(3,428,184)
Tangible net worth	44,263,810	38,305,054
Net debt/tangible net worth ratio	0.69	0.96

The change in the net debt/tangible net worth ratio was mainly due to the decrease in net debt due to repayments. Capital management objectives, policies and procedures were unchanged since the last period.

The Corporation's current lending requirements to its principal lender are subject to maintenance of the ratio of current assets to current liabilities of no less than 1.25:1, subject to maintenance of working capital ratio of no less than 1.25:1, subject to funded debt to EBITDA, calculated on a rolling four-quarter basis, of 2.50:1 or better and subject to an EBITDA to interest expense plus the current portion of long-term debt ratio of 1.2:1. For the three-month period ended and year ended December 31, 2008, the Corporation has not been in default under any of its obligations under these ratios. EBITDA is a non-GAAP measurement defined as "earnings before interest, taxes, depreciation and amortization (including non-cash impairment charges)".

inventories

(\$)	December 31, 2008	December 31, 2007
Raw materials	6,673,689	8,023,464
Work-in-progress	8,089,165	6,933,056
Finished goods	12,650,578	11,696,119
Trucks	957,748	1,859,692
	28,371,180	28,512,331

During the three months ended December 31, 2008, cost of sales was \$25,587,913, which included \$25,033,968 of costs associated with inventory, \$411,253 of inventory recoveries and \$965,198 of freight and warranty expenses.

contractual obligations and off balance sheet arrangements

In its continuing operations, the Corporation has from time to time entered into long-term contractual arrangements for its operational facilities and debt financing. The following table presents contractual obligations arising over the next five years from the arrangements currently in force:

(\$000's)	Total	2009	2010	2011	2012	2013	Thereafter
Operating lease obligations	15,322	3,823	3,867	3,422	2,375	1,835	-
Obligations under capital leases	2,592	1,251	438	411	266	188	38
Long-term debt	8,564	2,802	2,802	2,402	558	-	-
Total	26,478	7,876	7,107	6,235	3,199	2,023	38

transactions with related parties

a) Sale-Leaseback

On April 30, 2003, the Corporation sold all of its existing land and buildings for \$5,793,000, measured at appraised fair market values. A vendor take-back second mortgage for \$700,000 was granted to the purchaser and repaid in August 2008. The sale resulted in a gain of \$1,531,206 which will be added to income over the 15-year term of the leases described below. Amortization of \$103,597 is included in income during 2008 (2007 - \$103,597).

On April 30, 2003 the Corporation entered into lease agreements whereby the buildings will be leased for a period of 15 years. Minimum annual lease payments are \$680,620 for the first five years, \$751,459 for the following five years and are to be renegotiated at market rates for the last five years of the leases.

The purchaser and lessor is a partnership owned by certain directors. These individuals are also directors of Foundation Equity Corporation, a 43% shareholder of the Corporation.

b) Operating Lease

In February 2003, the Corporation entered into another property lease with a partnership owned by certain directors of the Corporation. These individuals are also directors of Foundation Equity Corporation. The minimum annual lease payments are \$232,000 for 10 years.

In October 2004, the Corporation entered into a lease for another building in Fort St. John. Three of the Corporation's directors are directors of Foundation. Two of these three directors were shareholders of 685209 B.C. Ltd. which was formerly a wholly-owned subsidiary of Foundation and the landlord of the property leased by the Corporation in Fort St. John B.C. The Corporation's Chairperson, Mr. Kerry Brown and his related holding companies collectively purchased 57% of the shares of 685209 B.C. Ltd. Mr. Chalupa, the second of the Corporation's directors with an interest in the leased premises, owns less than 10% of 685209 B.C. Ltd. Effective January 1, 2008 the Corporation sublet the premises to an unrelated party. Minimum annual lease payments are \$262,500 for the first five years, \$288,750 for the following five years and are to be renegotiated at market rates for the last five years of the leases. Effective January 20, 2009, the subtenant purchased the property and the Corporation has been released from any obligations under the lease and sublease.

To facilitate the release from the obligation of this lease, the Corporation agreed to pay \$9,458, which represented the interest differential fee due to the early payout of the original lessor's mortgage on the property.

The Corporation believes it has no undue exposure due to the rising real estate market as the Corporation benefits from predetermined lease rates. These terms are the same as they would be with unrelated parties. These transactions were entered into with the related parties as they were the most competitive bids.

● **outstanding share data**

As at March 11, 2009 the following class of shares and equity securities potentially convertible into common shares were outstanding:

Common shares	26,475,912
Convertible equity securities	
Stock options	880,000
Warrants	

Upon exercise, the stock options and warrants are convertible into an equal number of common shares.

For details relating to the stock options and warrants, please refer to Note 14 of the 2008 audited consolidated financial statements.

● **critical accounting estimates**

The preparation of the Corporation's financial statements, in conformity with Canadian GAAP, requires the management of the Corporation to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Management regularly evaluates these estimates and assumptions which are based on past experience and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty and, therefore, amounts currently reported in the financial statements could differ in the future.

● **goodwill**

Goodwill is not amortized and is assessed for impairment at the reporting unit level. The impairment test is done annually unless circumstances arise that would potentially impair the carrying value of goodwill. Any potential goodwill impairment is identified by comparing the fair value of a reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of the reporting unit exceeds its fair value, potential goodwill impairment has been identified and must be quantified by comparing the estimated fair value of the reporting unit's goodwill to its carrying value. Any goodwill impairment will result in a reduction in the carrying value of goodwill on the consolidated balance sheet and in the recognition of a non-cash impairment charge in operating income.

The Corporation amortizes property, plant and equipment and intangible assets over the estimated useful lives of the assets. In determining the estimated useful life of these assets, significant judgment by management is required. In determining these estimates, the Corporation takes into account expectation of the in-service period of these assets. The Corporation assesses the estimated useful life of these assets on an annual basis to ensure they match the anticipated life of an asset from a revenue producing perspective. If the Corporation determines that the useful life of an asset is different from the original assessment, changes to amortization will be applied prospectively.

purchase price allocation

During 2005, 2006 and 2007, the Corporation completed acquisitions of Rebel, Inotec, Superior and PDT. The allocations of the purchase prices for these transactions involved determining the fair values assigned to the tangible and intangible assets acquired. The Corporation uses independent valuers to determine the fair value of intangible assets of the acquired companies. The fair value of the tangible assets is allocated based on a calculation by management.

changes in accounting policies including initial adoption

(a) Capital disclosures

On January 1, 2008, the Corporation adopted CICA Handbook Section 1535 "Capital Disclosures". This Section requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This new Section did not have a material effect on the financial position or results of operations.

(b) Financial instruments – disclosure and presentation

On January 1, 2008, the Corporation adopted CICA issued Handbook Sections 3862 and 3863 replacing Section 3861, "Financial Instruments – Disclosure and Presentation." This Section describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments and how an entity manages those risks.

The adoption of this Section required that the Corporation present sensitivity analysis regarding currency risk, interest rate risk, market risk and credit risk. This new standard does not have a material effect on the financial position or results of operations.

(c) Inventories

On January 1, 2008, the Corporation adopted CICA Handbook Section 3031, "Inventories" to harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards. This Section requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and costs to inventory. This Section also requires the consistent use of either the "first in, first out" (FIFO) or the "weighted average cost" method to measure the cost of inventory and requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. This new standard does not have a material effect on the financial position or results of operations.

recent accounting pronouncements issued and not yet adopted

(a) Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Other Intangible Assets", replacing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450, "Research and Development Costs." The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, specifically January 1, 2009 for the Corporation. The Corporation is currently evaluating the impact of adopting this standard.

(b) Convergence with International Financial Reporting Standards ("IFRS")

Canada's Accounting Standards Board ratified a Strategic plan that will result in GAAP, as used by Canadian public companies, being evolved and converged with IFRS over a transitional period to be completed by 2011. The official changeover date to IFRS is for interim and annual financial statements related to fiscal years on or after January 1, 2011. For McCoy this will be the period started January 1, 2011. We are currently assessing the impact of the ultimate adoption of IFRS on our future financial reporting.

We have established a Financial Reporting Team to review the adoption of IFRS. The team will provide updates to management and the Audit Committee. The Corporation has engaged an external expert advisor and are closely monitoring regulatory developments made by the Canadian Securities Administrator that may affect the timing, nature or disclosure of our adoption of IFRS. We are also monitoring developments in accounting made by the AcSB and the IASB to ensure that on adoption of IFRS, we are fully compliant with IFRS as issued by the IASB.

controls and procedures

In order to ensure that information with regard to reports filed or submitted under securities legislation presents fairly in all material respects the financial information of the Corporation, management including the President and Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures, as well as internal control over financial reporting.

disclosure controls and procedures

Management maintains disclosure controls and procedures for the Corporation in order to provide reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to it in a timely manner. National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* requires the Chief Executive Officer and Chief Financial officer to certify that they are responsible for establishing and maintaining disclosure controls and procedures, they have designed such disclosure controls and procedures (or have caused such disclosure controls and procedures to be designed under their supervision) to ensure that material information concerning the Corporation is made known to them and they have evaluated the effectiveness of the Corporation's disclosure controls and procedures as of the end of the period covered by this filing. The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Corporation's disclosure controls and procedures as of December 31, 2008 and have concluded that the Corporation's disclosure controls and procedures are operating effectively.

internal controls over financial reporting

National Instrument 52-109 also requires the Chief Executive Officer and the Chief Financial Officer to certify that they are responsible for the design of internal controls over financial reporting (or have caused them to be designed under their supervision). Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The control framework used to evaluate the Corporation's internal controls over financial reporting is the *Internal Control Over Financial Reporting – Guidance for Smaller Public Companies* published by the *Committee of Sponsoring Organizations of the Treadway Commission (COSO)*.

The Chief Executive Officer and Chief Financial Officer have limited the scope of the Corporation's disclosure controls and procedures and the design of internal controls over financial reporting as of December 31, 2008 to exclude the controls, policies and procedures of Prairie Truck Ltd., a proportionately consolidated entity in which the Corporation has an interest.

As at December 31, 2008, the Chief Executive Officer and the Chief Financial Officer of the Corporation have evaluated the effectiveness of the Corporation's internal controls over financial reporting. In the process of our evaluation certain weaknesses were identified related to system and change control access within the Corporation's financial applications and spending authority approval. As at December 31, 2008 the Corporation completed remediation to address weaknesses related to system access and change controls by validating and modifying user access. As well, the Corporation identified compensating controls to address weaknesses related to spending authority approvals and developed a Spending Authority Matrix for its employees. On January 9, 2009, after receiving Board of Director approval, the Corporation implemented the Spending Authority Matrix in all business segments.

Other than as noted above, during the period ended December 31, 2008 there have been no changes in the Corporation's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

critical risks and uncertainties

As at December 31, 2008, there were changes in the Corporation's risks or risk management activities since December 31, 2007. The Corporation's results of operations, business prospects, financial condition, cash distributions to shareholders and the trading price of the Corporation's shares are subject to a number of risks. These risk factors include: the economy of the oil and gas and transportation sectors; weather; ability to attract and retain key personnel; the competitive environment; McCoy's ability to successfully integrate and operate additional businesses; the Alberta labour market; and interest rates.

A discussion of these risks and other risks associated with investment of the Corporation's shares is given elsewhere in this MD&A as well as in "Risk Factors" detailed in the Corporation's Annual Information Form that is available at www.sedar.com.

● risk factors

In addition to risks described elsewhere in this MD&A, the Corporation is exposed to various business risks which include but are not limited to the following:

economic downturn

A general downturn in the economy or a slowdown in the oil and gas, forestry or transportation sectors will negatively impact the Corporation's financial performance. By situating the Corporation to adapt to changing market conditions, exposure to such risk may be lessened. This will be achieved by cost cutting strategies and expansion into other sectors through new targeted marketing strategies.

availability of credit risk

With the global credit contraction over the past several months, there is no assurance that the Corporation will be able to renew our credit facilities on favourable terms, if at all. If the Corporation cannot obtain these funds on acceptable terms, if and when needed, the Corporation may not be able to develop or enhance products and services, expand the business, acquire complementary businesses or technologies, respond to competitive pressures or unanticipated requirements, or take advantage of future opportunities, which could have a material adverse effect on our business.

The Corporation has a cash balance of \$4.4 million at December 31, 2008 which, coupled with existing lines of credit of \$15 million Canadian and \$1.8 million US, management believes is sufficient to meet operating requirements. The Corporation continues to maintain a strong relationship with its credit providers.

growth strategy risk

The Corporation's Board had planned a strong growth strategy for the Corporation over the next 3 to 5 years. There is a risk that access to capital may be reduced in both the debt and equity markets resulting in delays to the implementation of growth strategy, both organically and by acquisitions. As the world economic conditions have worsened over the past several months, management has shifted its short term focus to navigating through turbulent times. We believe this to be prudent amidst such market uncertainty going forward. The Corporation's financial position must be protected to ensure management has the ability to continue its long term growth strategy in the future.

recession risk

Should the global economy slide into a deep recession, market demand for the Corporation's products and services would be reduced and this would negatively impact revenue and earnings. The Corporation's ability to manage through a recessionary period would require continued cost and expense controls which management believes it can execute. Steps in this direction have already been taken. In addition, the Corporation is not highly levered and therefore would not be exposed to sudden distress. The continued execution of the Corporation's strategy to grow international market exposure will also provide some risk reduction should any specific country or region be affected worse than others.

commodity price risk

The recent downturn in oil and gas prices worldwide has had a direct impact on activities of the Corporation's customers. Low commodity prices for an extended period of time will result in continued reduced demand for many of McCoy's manufactured products. This in turn will result in lowered revenues and earnings. To mitigate some of this risk, management has focused on growing its less volatile recurring revenue businesses such as replacement parts and service related to mobile equipment and drilling equipment as well as new product development.

hydrocarbon demand risk

Global demand for hydrocarbon related products such as gasoline directly impacts the level of worldwide drilling activity. Reduction in drilling activity results in lower demand for many of our manufactured products. To help alleviate some of this risk, management is continuing to grow its service and replacement parts business for drilling equipment as well as mobile equipment such as trucks and trailers. Growing the Corporation's exposure to the recurring revenue maintenance cycles of existing capital equipment is a key part of the long term business strategy.

cyclical

As a significant percentage of the Corporation's consolidated revenues are tied, directly or indirectly, to the oil and gas industry, both in Western Canada and globally, its overall financial performance is subject to any cyclical in this industry sector. The Corporation is aggressively pursuing growth opportunities in the oil sands in or near Fort McMurray, Alberta.

reliance on key persons and labour shortages

The potential loss of key personnel is another risk area the Corporation faces. While the recent economic downturn has relieved the labour market pressures for the short-term, the Corporation's future and growth is dependent on retaining qualified employees at all levels of the organization.

domestic and foreign competition

Each segment of the Corporation has competitors. If the Corporation does not respond effectively to its competitors' new products, geographic expansion, pricing and marketing strategies, the Corporation may lose market share. Foreign competition presents a risk for the hydraulic power tong market as China, in particular, is expanding its distribution network in North America. The Corporation invests a significant amount of time and effort on new product development to ensure that this risk is mitigated.

foreign sales

The EP&S segment sells a significant amount of its product to foreign countries. International sales are subject to inherent risks such as changes in regulatory requirements, delays from customs brokers or government agencies, or other trade barriers. Although most foreign sales are paid prior to shipping, there is potential risk related to any situation, such as war and civil insurrection that could disrupt the payment of monies owed to the Corporation. Foreign competition presents a risk for the hydraulic power tong market especially as China, in particular, is expanding its distribution networks into North America.

business acquisitions

The Corporation purchased the shares of Peerless in 2004, Rebel in 2005, Inotec in 2006 and Superior and PDT in 2007. If integration of new businesses does not occur as expected, or their performance is less than expected, the Corporation's revenues may be lower and operational costs higher than expected.

environmental risk

Inotec, a wholly owned subsidiary of McCoy Corporation, conducts certain portions of its industrial coatings business with hazardous substances that are harmful to the environment and personnel should there be a substantial spill or personnel exposure to some or all of these substances. Management has in place mitigating measures and controls which are believed to reduce significantly the opportunity for such an event to take place. The Corporation and Inotec are subject to stringent health, safety and environmental policies and standards and are internally audited on a regular basis.

insurance

Although the Corporation believes its insurance coverage to be appropriate for the nature of the risks relative to the costs of coverage, such coverage may not be adequate.

steel supply and pricing

Both the EP&S segment and the Trailer Manufacturing segment use steel as the major component of their products. Disruption in the supply of steel may affect the Corporation's ability to fill orders in a timely fashion and volatility of steel prices may affect gross margins. The Corporation has many steel suppliers which may assist in the mitigation of disruption of the supply of steel.

weather conditions

An unseasonably warm winter can adversely affect McCoy's service operations. In many areas, drilling activity is dependent upon prolonged periods of cold weather to freeze the ground and allow heavy equipment access to off-road locations. If the equipment is not in active use, it is unlikely to require repair. Similarly, a late spring break-up (thaw) can delay routine repair and maintenance as the equipment will be kept in use until weather conditions no longer permit. In addition to affecting oil and gas drilling activity, a warm winter may also affect the logging industry and demand for both oilfield-related products and logging trailers may be reduced.

climate change risk

McCoy Corporation is highly unlikely to be affected directly by Climate Change effects. No direct physical risks (i.e. rise of sea level, harsher winter) resulting from Climate Change are foreseeable to affect the continuity of our business units in the long term.

None of the impending regulations on Greenhouse Gases ("GHG's") will directly affect any of our business units, since all our facilities emit less than the regulatory threshold of 100,000 CO₂ tonnes/year. Although none of McCoy Corporation business units is a large emitter of CO₂, the corporation is taking steps towards assessing the carbon footprint of each one. Our initial approach consists on monitoring fossil fuel and electric power costs with intention of identifying areas of potential improvement. The Corporation's main customers in the Oil & Gas Industry most probably will face the need for capital investment to comply with impending regulations promoting CCS (Carbon Capture and Storage) for reductions in GHGs, besides current expenses (in Alberta, CO₂ is currently regulated at \$15/ton). Whether price adjustment, revenue adjustment or revamping will take place in any given facility of our customers is uncertain. However, the oil extraction activity is reasonably expected to be maintained to cover the growth in energy demand. In fact, such demand is expected to keep increasing due to harsher winters and higher summer temperatures resulting from warming of Earth.

An Environmental Management System based on the Internal Standard ISO 14001:2004 is currently being implemented at our two largest facilities, Inotec and FARR.

In the short term, McCoy Corporation will be gradually formalizing current initiatives aimed towards increasing energy efficiency and reducing energy consumption.

For 2009, the global financial crisis and the worldwide economic slowdown worldwide has created a large degree of uncertainty. Management anticipates a reduction in demand for its manufactured products and does not expect sales to recover before the year end. Management is also mindful of the recent commodity price volatility and the impact it is having on customer spending. As a result of the continued downturn in demand for all of McCoy's manufactured product, management and the Board have implemented significant cash management measures including the reduction of labour and other operating costs, reducing non-critical capital expenditures and the reduction of the dividend.

The Corporation's continued implementation of "lean manufacturing" processes was a major success factor in 2008 and will continue to be so in 2009 and beyond as this implementation is expected to continue to show positive results. The Corporation is committed to continuously improving efficiencies and moving even closer to McCoy's goal of having its operations become centres of excellence for manufacturing and being the low cost provider while maintaining high quality standards. The Corporation has established a lean consortium group representative of all of McCoy's business segments. The Corporation believes its experience with lean implementations will be an advantage in any manufacturing businesses that McCoy may acquire.

The Corporation will continue to integrate Superior and PDT into its operations, specifically with Farr. The Corporation will also continue to integrate McCoy's two trailer manufacturing business units in order to gain cost efficiencies and improve customer service.

McCoy's EP&S segment is focused on growing its replacement parts and service business for drilling equipment used worldwide. As customers continue to use existing capital equipment, the recurring revenue from maintaining this equipment is a large, worldwide market that the Corporation has the ability to penetrate. This is one area where the Corporation is confident to invest in during these uncertain times. In addition, McCoy will continue to review and pursue opportunities to fill in the missing drilling equipment products that are part of the Corporation's long term strategy to become a significant supplier of this equipment globally. This will be done both through internal research and development and acquisition. The February 28, 2009 acquisition of RP Manufacturing and Calibration is an example of a tuck-in acquisition which filled a product line gap. Should additional acquisition opportunities at the right price become available, management will seriously consider acting on them recognizing the need to also conserve cash in this uncertain business environment.

The current credit crisis and low oil and gas commodity will negatively impact McCoy's 2009 results. The Corporation will continue to monitor the markets in which it operates and will continue to take decisive action to mitigate the reduction in revenue. The Corporation strongly reiterates that 2009 is anticipated to be a challenging year.

other information

Additional information relating to the Corporation, including the Corporation's Annual Information Form for the year end December 31, 2008 is available on SEDAR at www.sedar.com.

management statement of responsibility

Management is responsible for the preparation and presentation of the consolidated financial statements and all other information in the Annual Report. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada. Financial and operating data presented elsewhere in the Annual Report are consistent with the information contained in the financial statements.

Management maintains a system of internal controls, which provides reasonable assurance that the assets of the Corporation and its subsidiaries are safeguarded and which facilitates the preparation of timely, relevant and reliable financial information that reflects, when necessary, Management's best estimates and judgments based on informed knowledge of the facts.

The Board of Directors, acting through the Audit Committee, is responsible for determining that Management fulfills its responsibilities in the preparation of financial statements and the financial control of operations.

The Audit Committee has reviewed the Consolidated Financial Statements and Management's Discussion and Analysis with Management and has recommended their approval to the Board of Directors. The independent auditors have unrestricted access to the Audit Committee.

The financial statements have been examined by PricewaterhouseCoopers, LLP, Chartered Accountants, and their report follows.

A handwritten signature in dark ink, appearing to read 'JR', with a large, sweeping loop at the end.

Jim Rakievich
President and Chief Executive Officer
March 11, 2009

A handwritten signature in dark ink, appearing to read 'ms', with a large, sweeping loop at the end.

Milica Stolic
Chief Financial Officer
March 11, 2009

auditors' report

To the Shareholders of McCoy Corporation

We have audited the consolidated balance sheets of McCoy Corporation as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss, retained earnings, accumulated other comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

March 11, 2009

consolidated balance sheets

as at December 31, 2008 and 2007

(\$)	2008	2007
Assets		
Current assets		
Cash	4,449,866	7,495,672
Accounts receivable	18,531,380	19,625,130
Income taxes receivable	1,998,768	-
Inventories (note 5)	28,371,180	28,512,331
Prepaid expenses and deposits	721,566	442,507
Future income taxes (note 13)	421,615	123,014
	54,494,375	56,198,654
Mortgage receivable (note 18(a))	-	700,000
Property, plant and equipment (note 6)	22,512,218	21,771,263
Intangibles (note 7)	12,475,879	14,309,947
Goodwill (note 8)	11,104,097	23,217,313
	100,586,569	116,197,177
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	17,619,210	19,394,982
Income taxes payable	-	568,976
Floor plan financing (note 10)	-	1,171,500
Current portion of long-term debt (note 11)	2,802,000	2,957,583
Current portion of obligations under capital lease (note 12)	1,169,528	1,140,453
	21,590,738	25,233,494
Long-term debt (note 11)	5,761,500	8,989,816
Obligations under capital lease (note 12)	1,422,609	1,326,049
Deferred gain (note 18(a))	932,525	1,036,122
Future income taxes (note 13)	2,728,513	3,551,198
	32,435,885	40,136,679
Commitments and contingencies (notes 2 and 16)		
Shareholders' Equity		
Share capital (note 14(b))	56,013,787	58,891,238
Contributed surplus (note 14(e))	2,653,421	1,497,804
Accumulated other comprehensive income	2,165,139	(524,078)
Retained earnings	7,318,337	16,195,534
	68,150,684	76,060,498
	100,586,569	116,197,177

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors



Jim Rakievich
Director
March 11, 2009



Kerry Brown
Director
March 11, 2009

consolidated statements of retained earnings

for the years ended December 31, 2008 and 2007

(\$)	2008	2007
Balance – Beginning of year	16,195,534	10,414,810
Net (loss) earnings for the year	(5,552,734)	8,103,327
Dividends paid	(3,324,463)	(2,322,603)
Balance – End of year	7,318,337	16,195,534

The accompanying notes are an integral part of these financial statements.

consolidated statements of operations

for the years ended December 31, 2008 and 2007

(\$)	2008	2007
Revenue	168,394,962	161,060,921
Cost of sales	105,994,283	105,171,441
Gross profit	62,400,679	55,889,480
Expenses		
Salaries and commissions	27,572,487	22,704,200
Operations	14,384,772	11,602,729
Amortization	4,474,024	3,517,379
Interest on debt	893,600	1,244,254
Selling	1,893,903	1,156,800
Corporate services	2,070,839	1,113,338
(Gain) loss on foreign exchange	(955,487)	905,359
Stock-based compensation	583,235	568,487
	50,917,373	42,812,546
Earnings before other, income taxes and discontinued operations	11,483,306	13,076,934
Other		
Gain on disposal of property, plant and equipment	441,328	17,088
Goodwill and intangibles impairment (notes 7 and 8)	(14,900,000)	
	(14,458,672)	17,088
(Loss) earnings before income taxes and discontinued operations	(2,975,366)	13,094,022
Income taxes (note 13)		
Current	3,698,654	4,146,445
Future	(1,121,286)	241,124
	2,577,368	4,387,569
(Loss) earnings before discontinued operations	(5,552,734)	8,706,453
Loss from discontinued operations (net of tax) (note 22)	-	(603,126)
Net (loss) earnings for the year	(5,552,734)	8,103,327
(Loss) earnings per share (note 15)		
Basic from continuing operations	(0.20)	0.36
Basic from net (loss) earnings	(0.20)	0.34
Diluted from continuing operations	(0.20)	0.36
Diluted from net (loss) earnings	(0.20)	0.33

The accompanying notes are an integral part of these financial statements.

consolidated statements of comprehensive loss

for the years ended December 31, 2008 and 2007

(\$)	2008	2007
Net (loss) income	(5,552,734)	8,103,327
Unrealized income (loss) on translation of self sustaining foreign operations	2,689,217	(524,078)
Comprehensive (loss) income	(2,863,517)	7,538,991

The accompanying notes are an integral part of these financial statements.

consolidated statements of accumulated other comprehensive income

for the years ended December 31, 2008 and 2007

(\$)	2008	2007
Balance – Beginning of year	(524,078)	-
Other comprehensive income (loss)	2,689,217	(524,078)
Balance – End of year	2,165,139	(524,078)

The accompanying notes are an integral part of these financial statements.

consolidated statements of cash flows

for the years ended December 31, 2008 and 2007

(\$)	2008	2007
Cash provided by (used in)		
Operating activities		
Net (loss) earnings from continuing operations	(5,552,734)	8,706,453
Items not affecting cash		
Amortization	4,474,024	3,517,379
Goodwill and intangibles impairment	14,900,000	-
Future income taxes	(1,121,286)	241,124
Stock-based compensation	583,235	568,487
Amortization of deferred gain	(103,597)	(103,597)
Amortization of inventory fair value	459,432	272,799
Gain on sale of property, plant and equipment	(441,328)	(17,088)
Cash flow from continuing operations before the following	13,197,746	13,185,557
Net change in non-cash working capital items (note 21)	(1,170,032)	937,494
	12,027,714	14,123,051
Financing activities		
Repayment of bank indebtedness	-	(8,832,282)
Collection of mortgage receivable	700,000	-
Repayment of obligations under capital lease	(394,307)	(1,452,436)
Net repayment of long-term debt	(3,383,899)	(1,128,999)
Net repayment of floor plan financing	(1,171,500)	(1,007,000)
Dividends paid	(3,324,463)	(2,322,603)
Retirement of shares	(2,307,017)	(268,601)
Issuance of share capital	31,500	37,723,458
	(9,849,686)	22,711,537
Investing activities		
Purchase of property, plant and equipment	(4,898,152)	(3,729,294)
Business acquisitions (note 2)	(1,886,784)	(26,643,733)
Proceeds from sale of property, plant and equipment	1,561,102	384,792
	(5,223,834)	(29,988,235)
Discontinued operations (note 22)	-	(503,322)
(Decrease) increase in cash	(3,045,806)	6,343,031
Cash – Beginning of year	7,495,672	1,152,641
Cash – End of year	4,449,866	7,495,672
Supplementary information (note 21)		

The accompanying notes are an integral part of these financial statements.

notes to the consolidated financial statements

December 31, 2008 and 2007

1 Nature of operations

McCoy Corporation ("McCoy" or the "Corporation") provides services and equipment focused primarily on the global oil and gas sector. McCoy has three operating segments: Energy Products & Services, Trailer Manufacturing and Truck and Trailer Products and Services.

McCoy's Energy Products & Services segment is a manufacturer of tubular make-up power tongs used on drill rigs to thread sections of drill and casing pipe together. It also manufactures vacuum tanks, hydrovac systems and dies and inserts for oilfield tools, and produces wear-reducing coatings for drilling tools and oilsands equipment.

The Trailer Manufacturing segment is a Western Canadian manufacturer of custom heavy duty trailers servicing the oil and gas, forestry and construction markets with customers both in Western Canada and the United States.

The Truck & Trailer Products & Services segment is engaged in heavy duty truck and trailer repairs, maintenance, parts distribution and sales and provides them to a variety of customers in Alberta and British Columbia.

2 Business acquisitions

- a) On August 1, 2007 the Corporation acquired 100% of the issued and outstanding shares of Universal Grinding Inc. ("Universal") which owns all of the issued and outstanding shares of Superior Manufacturing and Hydraulics Inc. ("Superior"). In a related transaction, McCoy also acquired 100% of the membership interest in Precision Die Technologies L.L.C. ("PDT"). The acquisitions have been accounted for using the purchase method and the financial statements include operating results of Universal from August 1, 2007, the date of acquisition.

Fair value of net assets acquired for cash (\$):

Current assets	11,139,466
Property, plant and equipment	3,438,528
Intangibles	11,733,896
Goodwill	11,203,034
Current liabilities	(2,501,895)
Debt	(2,256,450)
Future income taxes	(1,976,500)
Fair value of net assets acquired	30,780,079

The purchase agreement includes a provision for contingent consideration. The purchase price is increased by an amount equal to 37.5% of the excess EBITDA, as defined in the agreement, of Universal over US\$5,000,000 for each of the 12 month periods ended July 31, 2008, 2009 and 2010 to a maximum of US\$1,500,000 for each year. Any contingent consideration is recorded when the contingencies are resolved as an incremental cost of the purchase and are added to goodwill. During the year ended December 31, 2008, the Corporation paid \$1,516,346 (2007 - \$nil) as additional consideration related to the acquisition of Universal.

- b) On May 31, 2005, McCoy purchased 100% of the shares of Rebel Metal Fabricators Ltd. ("Rebel"). Included in the purchase agreement is a provision for contingent consideration. The contingent consideration is dependent upon future operations and is calculated and paid based on 17.5% of the earnings of Rebel before tax for the seven-month period ended December 31, 2005, the 12 month periods ended December 31, 2006, 2007, 2008 and the five-month period ended May 31, 2009. The contingent payment is recognized as an additional cost of the purchase as determined in each year and added to goodwill. The contingent consideration accrued in 2008 is \$315,000 (2007 – \$288,002) which is included in accounts payable at December 31, 2008.

3 Significant accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The recoverable value of goodwill, future income taxes and the amortization of intangibles and property, plant and equipment are the more significant items subject to estimate in these financial statements. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

a) Basis of consolidation

These consolidated financial statements include the accounts of McCoy Corporation, its wholly owned subsidiaries Peerless Limited, Rebel Metal Fabricators Ltd., Inotec, Universal Grinding and its subsidiaries and its proportionate share of the assets, liabilities, revenue and expenses of a 50% joint venture interest in Prairie Truck Ltd. (collectively the "Corporation"). All inter-company transactions and balances are eliminated on consolidation.

b) Revenue recognition

The Corporation recognizes truck and trailer and coating services revenue as services are performed. Product sales are recognized at the time of title transfer. Manufacturing revenue is recognized on shipment and title transfer.

c) Cash

Cash consists of cash on deposit and short-term investments with an original maturity of three months or less at the date of purchase.

d) Inventories

Raw materials inventory is recorded at the lower of cost, as determined on a first in, first out basis, and replacement cost. Truck inventory and inventories of finished goods and work-in-progress are recorded at the lower of cost which includes material usage, labour and overheads, as determined on a first in, first out basis, and net realizable value. For two of the business reporting units, inventory is valued at weighted average cost.

e) Property, plant and equipment

Property, plant and equipment is recorded at cost. Amortization is provided for using the straight-line method over the estimated useful life of the asset, as follows:

Buildings	10 – 40 years
Equipment	
Machinery	3 – 15 years
Office	3 – 12 ½ years
Automotive	3 – 12 ½ years
Computer equipment and software	1 – 5 years
Deferred development costs	3 – 4 years
Leasehold improvements	Term of related lease

f) Development costs

Development costs are expensed in the period incurred unless technical and market viability of a development project has been established. Deferred development costs are amortized on a straight-line basis over the expected use of the product. Amortization commences upon use of the product.

g) Intangibles

Intangibles are recorded at cost. Amortization is provided for using the straight-line method over the estimated useful life of the asset, as follows:

Customer relationships	10 years
Process technology	7 years
Trade name	Indefinite life
Certification	Indefinite life
Intellectual Property	15 years

h) Asset impairment

Impairment of long-lived assets is tested when there is an indication of impairment. The impairment of long-lived assets held for use is established through a two-step process, with the first step determining when an impairment is recognized, and the second step measuring the amount of the impairment. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition, and is measured as the amount by which the long-lived asset's carrying amount exceeds its fair value.

i) Goodwill

Goodwill represents the difference between the purchase price, including acquisition costs, of businesses acquired and the fair value of the identifiable net assets acquired. Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that the asset might be impaired. If the carrying value of a reporting unit, including the allocated goodwill, exceeds its fair value, goodwill impairment is measured as the excess of the carrying amount of the reporting unit's allocated goodwill over the implied fair value of the goodwill, based on the fair value of the assets and liabilities of the reporting unit.

j) Warranty provision

The Corporation provides an accrual of estimated warranty expense based on information available with respect to historic results and new product offerings.

k) Translation of foreign currencies

For the Corporation's Canadian operations, transactions denominated in foreign currencies are translated at the rate in effect at the transaction date. Foreign currency denominated monetary assets and liabilities are translated at the rate in effect at the balance sheet date. Resulting foreign exchange gains or losses are included in income. For the Corporation's U.S. operations, which are self-sustaining, the operations are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated using period-end exchange rates, with revenues and expenses translated using monthly average rates. Gains and losses arising on translation of these operations are included in the cumulative translation adjustment component of Accumulated Other Comprehensive Income.

l) Earnings per share

Earnings per share is based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method. Under the treasury stock method, the deemed proceeds from the exercise of dilutive securities are considered to be used to acquire common shares at the average market price during the year.

m) Future income taxes

The Corporation follows the liability method of income tax allocation. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the period that includes the date of substantial enactment. A valuation allowance is provided to the extent that it is more likely than not that future income taxes will not be realized.

n) Stock-based compensation

Awards of stock options to employees are accounted for in accordance with the fair value method of accounting for stock-based compensation and result in compensation expense and contributed surplus. The fair value is measured at the date the options are granted. Any consideration paid on the exercise of stock options is credited to share capital. Compensation expense is also recognized for deferred share units when issued with changes in the quoted market price from the issue date to the reporting period date being charged to compensation expense until the units are exercised.

a) Capital disclosures

On January 1, 2008, the Corporation adopted CICA Handbook Section 1535 "Capital Disclosures". This Section requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The adoption of this Section required that information on capital management be included in the notes to the financial statements. This disclosure has been made in note 19 to the financial statements.

b) Financial instruments – disclosure and presentation

On January 1, 2008, the Corporation adopted CICA issued Handbook Section 3862 – "Financial Instruments – Disclosure" replacing Section 3861, "Financial Instruments – Disclosure and Presentation." This Section describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments and how an entity manages those risks. This Section complements the principles of recognition, measurement and presentation of financial instruments of Section 3855 – "Financial Instruments – Recognition and Measurement", Section 3863 – "Financial Instruments – Presentation" and Section 3865 – "Hedges".

The adoption of this Section required that the Corporation present sensitivity analysis regarding currency risk, interest rate risk and credit risk. This disclosure has been made in note 17 of these consolidated financial statements.

On January 1, 2008, the Corporation adopted Section 3863 – "Financial Instruments – Presentation", replacing Section 3861 – "Financial Instruments – Disclosure and Presentation". This Section establishes standards for presentation of financial instruments and non-financial derivatives. The adoption of this Section had no impact on the presentation of the consolidated financial statements.

c) Inventories

On January 1, 2008, the Corporation adopted CICA Handbook Section 3031, "Inventories" to harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards. This Section requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and costs to inventory. This Section also requires the consistent use of either the "first in, first out" (FIFO) or the "weighted average cost" method to measure the cost of inventory and requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. This new standard does not have a material effect on the financial position or results of operations.

Recent account pronouncements issued and not yet adopted

a) Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Other Intangible Assets", replacing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450, "Research and Development Costs." The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, specifically January 1, 2009 for the Corporation. The Corporation is currently evaluating the impact of adopting this standard.

b) Convergence with International Financial Reporting Standards (“IFRS”)

Canada’s Accounting Standards Board ratified a Strategic plan that will result in GAAP, as used by Canadian public companies, being evolved and converged with IFRS over a transitional period to be completed by 2011. The official changeover date to IFRS is for interim and annual financial statements related to fiscal years on or after January 1, 2011. For McCoy this will be the period started January 1, 2011. The Corporation is currently assessing the impact of the ultimate adoption of IFRS on future financial reporting.

The Corporation has established a Financial Reporting Team to review the adoption of IFRS. The team will provide updates to management and the Audit Committee. The Corporation has engaged an external expert advisor and are closely monitoring regulatory developments made by the Canadian Securities Administrator that may affect the timing, nature or disclosure of our adoption of IFRS. The Corporation is also monitoring developments in accounting made by the AcSB and the IASB to ensure that on adoption of IFRS, we are fully compliant with IFRS as issued by the IASB.

5 Inventories

\$	2006	2007
Raw materials	6,673,689	8,023,464
Work-in-progress	8,089,165	6,933,056
Finished goods	12,650,578	11,696,119
Trucks	957,748	1,859,692
	28,371,180	28,512,331

During the year ended December 31, 2008, cost of sales included \$103,076,660 of costs associated with inventory, \$617,821 of inventory recoveries and \$3,535,444 of freight and warranty expenses.

6 Property, plant and equipment

2008

(\$)			
Land	183,337	-	183,337
Buildings	4,189,173	867,250	3,321,923
Machinery and office equipment	31,925,677	15,427,310	16,498,367
Automotive equipment	1,516,222	956,236	559,986
Computer equipment and software	4,626,201	3,842,142	784,059
Leasehold improvements	1,956,231	791,685	1,164,546
	44,396,841	21,884,623	22,512,218
Deferred development costs	867,620	867,620	-
	45,264,461	22,752,243	22,512,218

(\$)	Cost	Accumulated amortization	Net
Land	1,264,168	-	1,264,168
Buildings	4,174,115	720,547	3,453,568
Machinery and office equipment	24,843,973	10,004,698	14,839,275
Automotive equipment	1,444,429	826,284	618,145
Computer equipment and software	4,225,510	3,509,356	716,154
Leasehold improvements	1,514,289	669,188	845,101
	37,466,484	15,730,073	21,736,411
Deferred development costs	872,621	837,769	34,852
	38,339,105	16,567,842	21,771,263

Property, plant and equipment under capital lease included above has a cost of \$4,870,286 (2007 – \$4,850,122) and accumulated amortization of \$1,002,848 (2007 – \$1,184,661).

7 Intangibles

(\$)	Cost	Accumulated amortization	Net
Finite			
Customer relationships	3,135,942	649,208	2,486,734
Process technology	923,000	318,661	604,339
Other backlog	141,951	141,951	-
Intellectual property	7,329,149	692,197	6,636,952
Infinite			
Trade name	2,656,854	-	2,656,854
Certification	91,000	-	91,000
	14,277,896	1,802,017	12,475,879

(\$)	Cost	Accumulated amortization	Net
Finite			
Customer relationships	3,135,942	335,613	2,800,329
Process technology	923,000	186,798	736,202
Other backlog	141,951	141,951	-
Intellectual property	7,329,149	203,587	7,125,562
Infinite			
Trade name	3,556,854	-	3,556,854
Certification	91,000	-	91,000
	15,177,896	867,949	14,309,947

Infinite life intangibles are not amortized but are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The carrying amount of the intangibles is compared with its fair value. When the carrying value of the intangibles exceeds its carrying amount, intangibles of the reporting unit are considered to be impaired.

As a result of performing the test described above, it was determined that an impairment had occurred which resulted in a non-cash impairment charge of \$900,000.

The Corporation will continue to review the value of the infinite life intangibles annually or more frequently if events or changes in circumstances indicate that the intangibles might be impaired.

8 Goodwill

(\$)	2008	2007
Balance as at January 1	23,217,313	13,210,823
Additions during the year	1,886,784	10,006,490
Impairment	(14,000,000)	-
Balance as at December 31	11,104,097	23,217,313

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values at the date of acquisition. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the business combination.

Certain vendors, at the time of acquisition, are entitled to receive contingent consideration if the acquired businesses achieve specified earnings levels in years following the dates of acquisition. Such contingent consideration is paid in cash at the expiration of the contingency period. The contingent consideration is recorded when the contingencies are resolved and the consideration is paid or becomes payable, at which time the Corporation records the fair value of the consideration paid or payable as additional costs of the acquired businesses. Such costs are recorded as additional goodwill. Total contingent consideration recognized for the year ended December 31, 2008 was \$1,886,784 which consisted of \$1,516,346 related to the acquisition of Universal and \$315,000 related to the acquisition of Rebel (note 2). Goodwill also increased by an additional \$55,438 due to subsequent costs related to the acquisition of Inotec incurred during 2008.

Goodwill is not amortized but is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination as described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. If this fair value is less than the book value of the existing goodwill, an impairment write-down is booked.

As a result of performing the test described above, it was determined that an impairment had occurred which resulted in a non-cash impairment charge of \$14,000,000.

The Corporation will continue to review the value attributed to goodwill annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

9 Bank indebtedness

The Corporation has the following operating line of credit facilities of which it has drawn \$nil as at December 31, 2008 (2007 - \$nil):

- A Canadian operating line of credit facility with a limit of \$15,000,000 (2007 – \$15,000,000), repayable on demand with interest payable monthly at prime (2007 – prime). At December 31, 2008, the rate is 3.5% (2007 – 6%). A general security agreement over all past and future property is pledged as collateral on this facility.
- A U.S. operating line of credit facility with a limit of US\$1,800,000 (2006 – US\$1,800,000), repayable on demand with interest payable monthly at New York prime plus 1%. At December 31, 2008, the rate is 3.5%.

10 Floor plan financing

Floor plan financing was for new truck inventory which, along with a general security agreement, was pledged as collateral. Interest on the floor plan financing was payable monthly at prime. At December 31, 2008, the rate is 3.5% (2007 – 6%).

11 Long-term debt

(\$)	2008	2007
Term loan	-	581,899
Term debt, payable in monthly instalments of \$133,500 until May 2012, plus interest at 6.95%; a general security agreement over all past and a future property is pledged as collateral on facility	5,363,500	6,965,500
Subordinated debt, payable in monthly instalments of \$100,000 until 2011, plus interest at the lender's floating base rate plus 5.15%; a second charge on all fixed assets including land, buildings, equipment, vehicles and inventories are pledged as collateral on this facility. The lender's floating base rate at December 31, 2008 was 2.169%	3,200,000	4,400,000
	8,563,500	11,947,399
Less: Current portion	2,802,000	2,957,583
	5,761,500	8,989,816

The principal payments required in each of the next four years and in total are as follows:

(\$)	2009	2010	2011	2012
	2,802,000	2,802,000	2,402,000	557,500

12 Obligations under capital lease

	2008	2007
Minimum lease payments:		
2008	-	1,292,084
2009	1,375,362	1,042,786
2010	524,738	193,382
2011	457,937	156,584
2012	288,668	23,204
2013	194,388	-
Thereafter	40,000	-
	2,881,093	2,708,040
Less: Amount representing interest (at rates ranging from 6.23% to 9.25%)	288,956	241,538
	2,592,137	2,466,502
Less: Current portion	1,169,528	1,140,453
	1,422,609	1,326,049

Specific property, plant and equipment have been pledged as collateral for the above leases.

13 Income taxes

The income tax provision differs from the amounts computed by applying the combined federal and provincial income tax rate of 29.50% (2007 – 32.12%) to pre-tax income as a result of the following

	2008	2007
(Loss) earnings before income taxes	(2,975,366)	13,094,022
Computed "expected" income taxes	(877,732)	4,205,800
Differences resulting from		
Jurisdictional tax rate differences	49,025	155,755
Substantively enacted tax rates	(180,845)	(215,822)
Non-deductible items	210,838	207,825
Non-deductible portion of goodwill and intangibles impairment	3,563,600	-
Non-taxable portion of capital gain	(65,096)	-
Other	(122,422)	34,011
Income taxes	2,577,368	4,387,569

The income tax effect of temporary differences that give rise to significant balances of the future tax assets and liabilities at the balance sheet date are summarized as follows:

	2008	2007
Future tax assets (liabilities) resulting from		
Deferred gain	233,131	263,706
Property, plant and equipment	(1,913,124)	(2,059,601)
Warranty reserve	159,968	163,909
Inventory	261,647	(40,895)
Intangibles	(765,609)	(1,751,507)
Investment in joint venture	(140,704)	(118,640)
Other	25,940	282,991
Valuation allowance	(168,147)	(168,147)
Net future income taxes	(2,306,898)	(3,428,184)
Less: Current portion	421,615	123,014
	(2,728,513)	(3,551,198)

Unlimited number of common, voting shares

Unlimited number of preferred, non-voting shares

	2008		2007	
	Common shares	Amount	Common shares	Amount
	#	\$	#	\$
Balance – Beginning of year	27,866,012	58,891,238	19,320,338	18,628,591
Shares issued on exercise of stock options	10,000	31,500	482,168	472,325
Shares issued on acquisitions	-	-	488,806	2,620,000
Shares issued on equity placement	-	-	7,645,000	37,438,923
Shares retired on normal course issuer bid	(1,400,600)	(2,008,661)	(70,300)	(268,601)
Balance – End of year	26,475,412	58,013,787	27,866,012	58,891,238

normal course issuer bid

On September 26, 2008, the Toronto Stock Exchange accepted a notice filed by the Corporation of its intention to conduct a normal course issuer bid through the facilities of the Toronto Stock Exchange.

The Corporation may purchase, from time to time, as it considers advisable, up to 1,382,015 of the issued and outstanding common shares (being approximately 5% of the issued and outstanding common shares at September 21, 2008). The maximum number of common shares that may be purchased on a daily basis is 5,476, which is equal to 25% of the average daily trading volume for the six months ended August 31, 2008. Effective November 3, 2008, the daily maximum trading volume was increased to 10,952 shares based on temporary relief until March 31, 2009 provided by the TSX.

The bid was accepted for commencement on September 30, 2008 and will continue until the earlier of September 29, 2009 and the date by which the Corporation has acquired 1,382,015 shares. Purchases will be made at the market price.

For the year ended December 31, 2008, 1,400,600 common shares were repurchased at an average market price of \$1.65 per common share. The discount of \$601,934 on the repurchase of the shares has been charged to contributed surplus.

c) Options

The Corporation stock option plan for employees is administered by the Compensation Committee, which is a subcommittee of the Board of Directors. The Compensation Committee designates eligible participants to be included under the plan and designates the number of options and share price of the options, subject to applicable securities laws and stock exchange regulations.

Significant terms of the stock option plan include: the aggregate number of common shares issuable under the plan is no greater than 10% of the common shares issued and outstanding from time to time on a non-diluted basis; no more than 5% of outstanding shares may be reserved for options granted to any one person; no more than 10% of outstanding shares may be reserved for options granted to insiders; the options vest over a period specified by the plan administrator and the maximum term of options issued under the plan cannot exceed five years. The exercise price of options is determined by the Board of Directors, but cannot be lower than the market price of shares on the last trading day preceding the grant date.

The following reflects activity under the stock option plan from December 31, 2005 through December 31, 2008, and the weighted average exercise prices.

	Number of common shares under option	Weighted Average Exercise Price
	#	\$
Outstanding – December 31, 2006	1,055,502	3.44
Granted	395,000	5.56
Exercised	(482,168)	0.59
Cancelled	(120,000)	6.57
Outstanding – December 31, 2007	848,334	5.72
Granted	95,000	2.97
Exercised	(10,000)	3.15
Cancelled	(53,334)	5.39
Outstanding – December 31, 2008	880,000	5.49
Exercisable – December 31, 2008	436,664	5.70
Exercisable – December 31, 2007	233,335	1.91
Exercisable – December 31, 2006	433,834	1.15

The following options are outstanding as at December 31, 2008:

Options outstanding (#)	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)	Options exercisable (#)
210,000	2.37	3.07	105,000
95,000	4.51	4.93	31,666
270,000	2.72	5.77	89,999
75,000	2.93	6.45	50,000
230,000	2.20	7.25	159,999
880,000	2.71	5.49	436,664

The Corporation used the Black-Scholes option pricing model to estimate the fair value of the options granted to employees in 2008. The following weighted average assumptions were used for options granted in 2008 and 2007:

	2008	2007
Annualized volatility	54%	54%
Risk free interest rate	3.4%	4.0%
Expected life of options	4 years	3 years
Dividend	6%	5%

Application of the fair value method resulted in a charge to stock-based compensation expense of \$584,563 (2007 – \$568,487) with corresponding credits to contributed surplus. The weighted average fair value per share of options granted during the year was \$1.08 (2007 - \$5.56, per share).

d) Stock-based compensation expense

Total stock-based compensation was as follows:

(\$)	2008	2007
Stock options	584,563	568,487
Cancelled unvested stock options	(9,386)	-
Deferred share units	8,058	-
	583,235	568,487

e) Contributed surplus

The following is a summary of activity during the year.

(\$)	2008	2007
Contributed surplus – Beginning of year	1,497,804	1,117,108
Stock-based compensation expense	584,563	568,487
Exercise of stock options	(21,494)	(187,791)
Cancellation of unvested stock options	(9,386)	-
Discount on repurchased shares	601,934	-
Contributed surplus – End of year	2,653,421	1,497,804

f) Directors' deferred share unit plan

Effective January 1, 2008, the Corporation offered a Director's Deferred Share Unit Plan for directors of the Corporation who are designated as Participants by the Compensation Committee.

Upon retirement from the Board, the director's deferred share units ("DSU") are redeemed for cash based on the market price of the shares. During the year, the Corporation has issued a total of 28,652 DSU and the expense of \$8,058 measured at the closing price of the shares on the balance sheet date was charged to earnings.

15 (Loss) earnings per share

	2008			2007		
	Earnings (numerator) \$	Shares (denominator) #	Per share amount \$	Earnings (numerator) \$	Shares (denominator) #	Per share amount \$
Basic (loss) earnings per share						
(Loss) earnings available to common shareholders before discontinued operations	(5,552,734)	27,652,597	(0.20)	8,706,453	23,916,431	0.36
(Loss) earnings available to common shareholders	(5,552,734)	27,652,597	(0.20)	8,103,325	23,916,431	0.34
Diluted (loss) earnings per share						
Dilutive effect of options					301,883	
(Loss) earnings available to common shareholders before discontinued operations	(5,552,734)	27,652,597	(0.20)	8,706,453	24,218,314	0.36
(Loss) earnings available to common shareholders	(5,552,734)	27,652,597	(0.20)	8,103,325	24,218,314	0.33

16 Commitments and contingencies

a) Commitments

The Corporation is committed to payments under operating leases for premises and equipment as follows:

(\$)	
2009	3,822,861
2010	3,867,135
2011	3,421,555
2012	2,374,638
2013	1,835,279

The above include commitments with related parties as disclosed in note 18

b) Contingencies

The Corporation is a co-defendant in a lawsuit alleging negligence in the installation of tire pressure control systems. The litigation relating to the Statement of Claim for \$1,570,000 is in its preliminary stages and the outcome is not currently determinable. A loss, if any, would be partially covered by the Corporation's insurance in the period when determinable.

Fair value

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short terms to maturity.

The fair values of the subordinated debt and obligations under capital leases approximate their carrying values since their stated interest rates approximate the market interest rates at December 31, 2008 and 2007.

Classification of financial instruments

The Corporation has made the following classifications:

- Cash and temporary investments are classified as financial assets held for trading and measured at fair value. Gains and losses related to periodical evaluations are recorded in net income.
- Accounts receivable are classified as loans and receivables and are initially measured at fair value. Subsequent periodical revaluations are recorded at amortized cost using the effective rate method.
- Accounts payable and accrued liabilities and long-term debt are classified as other liabilities and are initially measured at fair value. Subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

Financial risk management

The Corporation's activities are exposed to a variety of financial risks of varying degrees of significance which could affect the Corporation's ability to achieve strategic objectives. The Corporation's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Corporation's financial performance. Risk management is carried out by financial management in conjunction with overall corporate governance. The principal financial risks to which the Corporation is exposed are described below:

Currency risk

Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The large ratio of international sales we have experienced may increase the risk of this exposure as our U.S. dollar purchasing may not be enough to offset these international sales or the timing of U.S. dollar purchases may not correspond in any given quarter, yielding unrealized foreign exchange losses. If the businesses that sell in U.S. dollars are not able to continue to improve productivity and increase prices then margins could also be impacted.

Interest rate risk

The Corporation's debt consists of loans that are subject to interest rate fluctuation as disclosed in notes 9, 10, 11 and 12. If there is a 1% change in the prime lending rate the Corporation would incur approximately \$58,000 in annual interest reduction or increase.

Credit risk

The Corporation is exposed to credit risk through its accounts receivable. This risk is now elevated compared to prior years due to the impact the current credit markets and general economy have had on our customers. The Corporation manages credit risk by following a program of credit evaluation, getting deposits on orders and by limiting the amount of customer credit where deemed necessary. Allowances are provided for potential losses that have been incurred at the balance sheet date. The amounts

disclosed in the balance sheet for accounts receivable are net of the allowance for doubtful accounts amounting to \$418,730 (December 31, 2007 - \$467,747). The Corporation also has foreign sales which are normally paid prior to shipping and the Truck & Trailer Products & Services segment liens any repairs that are over \$1,000. For the years ended December 31, 2008 and 2007, the Corporation did not have any customers that represented greater than 10% of its revenue.

The following table sets forth details of aging of receivables.

(\$)	December 31, 2008	December 31, 2007
0 to 30 days (current)	8,356,684	6,474,685
31 to 60 days	4,872,525	7,998,678
61 to 120 days	3,705,153	2,884,551
Over 120 days	1,387,034	1,354,291
Sub-total accounts receivable	18,321,396	18,712,205
Less: Allowance for doubtful accounts	(418,730)	(467,747)
Trade receivables	17,902,666	18,244,458
Other receivables	628,714	1,380,672
Total accounts receivable	18,531,380	19,625,130

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the ability of funding through an adequate amount of committed credit lines. The Corporation aims to maintain flexibility in funding by keeping committed credit lines available. Cash on hand at the period end was \$4,449,866 and \$15,000,000 was available at December 31, 2008 under the Canadian credit facility.

The following table shows the anticipated timing of future cash outflows relating to trade and other payables and finance debt

(\$)	December 31, 2008		December 31, 2007	
	Trade and other payables	Finance debt	Trade and other payables	Finance debt
Within one year	17,619,210	3,971,528	19,963,958	5,269,536
1 to 5 years		7,184,109	-	10,315,811
	17,619,210	11,155,637	19,963,958	15,585,401

18 Related party transactions

a) Sale-leaseback

On May 1, 2003, the Corporation sold all of its then existing land and buildings for the amount of \$5,793,000, measured at appraised fair market values. The sale resulted in a gain of \$1,531,206, which is being recognized over 15 years, which is the term of the leases described below. Amortization of \$103,597 is included in income during 2008 (2007 – \$103,597). The vendor take-back mortgage has been repaid during the year. Interest revenue in the amount of \$51,520 has been recorded in the financial statements for 2008 (2007 – \$51,520).

Also on May 1, 2003, the Corporation entered into lease agreements with the purchaser, whereby the buildings will be leased for a period of 15 years. Minimum annual lease payments are \$680,620 per annum for the first five years, \$751,459 per annum for the following five years and are to be renegotiated at market rates for the last five years of the lease.

The purchaser and lessor is a partnership owned by certain directors and an officer of the Corporation and certain directors of Foundation Equity Corporation, a significant shareholder of the Corporation.

b) Operating lease

In February 2003, the Corporation entered into a lease for another building from another partnership owned by certain directors and an officer of the Corporation and certain directors of Foundation Equity Corporation. The minimum annual lease payments are \$232,000 per year for the 14 years ending February 2017.

In October 2004, the Corporation entered into a lease for another building from a wholly owned subsidiary of Foundation Equity Corporation. Minimum annual lease payments are \$262,500 for the first five years, \$288,750 for the following five years and are to be renegotiated at market rates for the last five years of the lease. Effective January 1, 2008 the Corporation sublet the premises to an unrelated party. Minimum annual lease payments are \$262,500 for the first five years, \$288,750 for the following five years and are to be renegotiated at market rates for the last five years of the leases. Effective January 20, 2009, the subtenant purchased the property and the Corporation was released from any obligations under the lease and sublease. To facilitate the release from the obligation of this lease, the Corporation agreed to pay \$9,458, which represented the interest differential fee due to the early payout of the original lessor's mortgage on the property.

19 Capital disclosures

The Corporation's objectives when managing its capital are to safeguard the Corporation's assets and its ability to continue as a going concern while at the same time maximizing the growth of its business and the return to its shareholders.

McCoy sets the amount of capital in proportion to risk and manages and makes adjustments to the capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Corporation may assume additional debt, issue new shares, or sell assets to reduce debt.

The Corporation monitors capital on the basis of net debt/tangible net worth. Net debt is defined as total debt less the long term portion of subordinated debt. Tangible net worth is defined as the sum of share capital, contributed surplus, the long term portion of subordinated debt less amounts due from officers/affiliates, goodwill, intangible assets and future income taxes.

(\$)	December 31, 2008	December 31, 2007
Total debt	32,435,885	40,136,679
Long-term portion of subordinated debt	(2,000,000)	(3,200,000)
Total net debt	30,435,885	36,936,679
Shareholders' equity	68,150,684	76,060,498
Long-term portion of subordinated debt	2,000,000	3,200,000
Goodwill	(11,104,097)	(23,217,313)
Intangibles	(12,475,879)	(14,309,947)
Future tax	(2,306,898)	(3,428,184)
Tangible net worth	44,263,810	38,305,054
Net debt/tangible net worth ratio	0.69	0.96

The change in the net debt/tangible net worth ratio was mainly due to the decrease in net debt. Capital management objectives, policies and procedures were unchanged since the last period.

The Corporation's current lending requirements are subject to maintenance of the ratio of current assets to current liabilities of no less than 1.25:1, subject to maintenance of working capital ratio of no less than 1.25:1, subject to funded debt to EBITDA, calculated on a rolling four-quarter basis, of 2.50:1 or lower and subject to an EBITDA to interest expense plus the current portion of long-term debt ratio of 1.2 to 1. For the three-month period ended December 31, 2008, the Corporation has not been in default under any of its obligations. EBITDA is a non-GAAP measurement defined as "earnings before interest, taxes, depreciation and amortization"

20 Interest in joint venture

The major components of the Corporation's 50% proportionate interest in Prairie Truck Ltd., included in these consolidated financial statements are as follows:

(\$)	December 31, 2008	2007
Current assets	2,329,151	3,705,999
Total assets	2,466,501	3,857,393
Current liabilities	250,899	1,706,307
Total liabilities	250,899	1,706,307

(\$)	2008	2007
Revenue	6,480,819	9,158,751
Cost of sales	4,873,278	7,306,345
Gross profit	1,607,541	1,852,406
Expenses	1,206,280	1,338,020
	401,261	514,386
Income taxes	24,745	33,505
Net earnings for the year	376,516	480,881
Cash provided by (used in):		
Operating activities	1,150,815	756,152
Financing activities	(1,171,500)	(1,007,000)
Investing activities	(17,375)	(5,354)

21 Supplemental cash flow information

Net change in non-cash working capital items:

(\$)	2008	2007
Accounts receivable	1,093,750	4,032,682
Inventory	(318,281)	3,528,128
Prepaid expenses and deposits	(279,059)	(30,925)
Accounts payable and accrued liabilities	(1,775,772)	(4,104,654)
Income taxes	(2,567,744)	(1,227,644)
Foreign exchange translation	2,677,074	(1,260,093)
	(1,170,032)	937,494

(\$)	2008	2007
Income taxes received	415,924	7,718
Income taxes paid	6,681,611	3,888,562
Interest received	309,443	621,568
Interest paid	1,027,820	1,719,073

22 Discontinued operations

On December 31, 2007, the Corporation closed down its Real McCoy Service Centre in Fort St. John, British Columbia. The Corporation sublet the building and sold some of the assets to an unrelated party. The balance of the assets were transferred to other business units to be used in continued operations. The results of this operation have been treated as discontinued in the financial statements. Revenues of \$1,994,325 for 2007 from these discontinued operations are excluded from total revenues in the Statement of Earnings and Comprehensive Income.

Revenues and operating activities of this operation for the year ended December 31, 2008 and 2007 were as follows:

(\$)	2008	2007
Revenue	-	1,994,325
Cost of sales	-	1,649,412
Gross profit	-	344,913
Expenses		
Salaries and commissions	-	553,543
Operations	-	555,719
Amortization	-	99,806
Interest on debt	-	1,272
Selling	-	41,529
	-	1,251,869
Loss from discontinued operations before income taxes	-	(906,956)
Income taxes (recovered)	-	(303,830)
Loss from discontinued operations	-	(603,126)

23 Subsequent event

On February 28, 2009, the Corporation acquired 100% partnership interests of Conroe, Texas based Texas Breakout II, L.P., which operates as RP Manufacturing & Calibration ("RP") for cash consideration of USD \$1,100,000. RP is the second largest global supplier of make/break machines, also known as "breakout" or "torque" machines, and are used for assembling oil and gas well downhole tool strings and testing pipe connections. RP provides full life cycle recurring business, including parts and service support.

24 Segment disclosures

The Corporation operates its businesses through a number of subsidiaries and divisions operating in three segments. The most significant are as follows:

- Farr Canada, a division of McCoy Corporation – manufactures and distributes standard and custom model hydraulic power tongs located in Edmonton, Alberta.
- Superior Manufacturing and Hydraulics Inc., a wholly owned subsidiary – manufactures and distributes standard and custom hydraulic power tongs, manufactures and distributes a complete line of hydraulic power equipment, and offers service, repair, honing, and testing of almost all hydraulic equipment. Superior is located in Broussard, Louisiana.
- Precision Die Technologies L.L.C., a wholly owned subsidiary – manufactures and distributes dies and inserts which are high-wear, consumable parts used in other handling tools, located in Broussard, Louisiana.
- Inotec Coatings and Hydraulics Inc., a wholly owned subsidiary – is involved in the application of materials for the prevention of wear, erosion and corrosion, and the manufacturing and servicing of hydraulic components, located in Edmonton, Alberta.
- Rebel Metal Fabrications Ltd., a wholly owned subsidiary – manufactures and distributes truck and trailer mounted hydrovac and vacuum tanks, located in Red Deer, Alberta.

Trailer Manufacturing

- Scona Trailer Manufacturing, a division of McCoy Corporation – manufactures and distributes heavy duty trailers, located in Edmonton, Alberta.
- Peerless Limited trailer division, a wholly owned subsidiary – manufactures heavy duty trailers, logging trailers and custom chassis, located in Penticton, British Columbia.

Truck & Trailer Products & Services

- The Real McCoy Service Centres, division of McCoy Corporation – service and repair heavy-duty specialty truck and trailers, operating three Alberta branches two of which are located in Edmonton, Alberta and one in Red Deer Alberta.
- Peerless Limited, Service and Retail Parts Division, a wholly owned subsidiary – provides service and retail parts through branches in Edmonton and Grande Prairie in Alberta and Penticton, British Columbia.
- Prairie Truck Ltd, a 50% interest in a joint venture – is an International Truck Dealership located in Grande Prairie, Alberta.

The accounting policies of the segments are the same as those described in the audited consolidated financial statements for the year ended December 31, 2007. Inter-segment transactions are entered into under terms and conditions similar to those with unrelated parties and are eliminated on consolidation. All inter-segment sales have been eliminated within the segment in the following schedules:

2008

(\$)	Energy Products & Services	Trailer Manufacturing	Truck & Trailer Products & Services	Intersegment Transactions	Total
Sales by segment					
Total external sales	101,998,286	36,052,589	30,344,087	-	168,394,962
Total inter-segment sales	3,882,158	2,575,387	958,623	(7,416,168)	-
Total sales	105,880,444	38,627,976	31,302,710	(7,416,168)	168,394,962
Cost of Sales	59,303,846	32,876,793	21,229,812	(7,416,168)	105,994,283
Gross Profit	46,576,598	5,751,183	10,072,898	-	62,400,679
Amortization	2,775,025	1,005,975	693,024	-	4,474,024
Other expenses	23,790,958	7,318,343	8,451,441	-	39,560,742
	26,565,983	8,324,318	9,144,465	-	44,034,766
Earnings (loss) before interest, income taxes, corporate charges, other and discontin- ued operations	20,010,615	(2,573,135)	928,433	-	18,365,913
Corporate charges	1,996,336	1,996,335	1,996,336	-	5,989,007
Earnings before interest, income taxes, other and discontinued operations	18,014,279	(4,569,470)	(1,067,903)	-	12,376,906
Other					
Gain on disposal of property, plant and equipment	147,110	147,109	147,109	-	441,328
Goodwill and intangibles impairment	(14,900,000)	-	-	-	(14,900,000)
	(14,752,890)	147,109	147,109	-	(14,458,672)
Earnings (loss) before income taxes and discontinued operations	3,261,389	(4,422,361)	(920,794)	-	(2,081,766)
Interest on debt	451,539	251,388	190,673	-	893,600
Earnings (loss) before income taxes and discontinued operations	2,809,850	(4,673,749)	(1,111,467)	-	(2,975,366)
Income taxes (recovery)	4,295,812	(1,392,386)	(326,058)	-	2,577,368
Net(loss) earnings before discontinued operations	(1,485,962)	(3,281,363)	(785,409)	-	(5,552,734)
Total identifiable assets	50,826,677	28,297,153	21,462,739	-	100,586,569
Additions to property, plant and equipment	4,559,059	176,372	162,721	-	4,898,152
Additions to goodwill	1,886,784	-	-	-	1,886,784

(\$)	Energy Products & Services	Trailer Manufacturing	Truck & Trailer Products & Services	Intersegment eliminations	Total
Sales by segment					
Total external sales	75,729,828	50,868,775	34,462,318	-	161,060,921
Total inter-segment sales	-	2,394,492	1,435,661	(3,830,153)	-
Total sales	75,729,828	53,263,267	35,897,979	(3,830,153)	161,060,921
Cost of Sales	43,887,801	41,881,865	23,231,928	(3,830,153)	105,171,441
Gross Profit	31,842,027	11,381,402	12,666,051	-	55,889,480
Amortization	2,028,434	859,692	629,253	-	3,517,379
Other expenses	17,385,460	7,083,688	9,550,068	-	34,019,216
	19,413,894	7,943,380	10,179,321	-	37,536,595
Earnings before interest, income taxes, corporate charges and discontinued operations	12,428,133	3,438,022	2,486,730	-	18,352,885
Corporate charges	1,338,203	1,338,203	1,338,203	-	4,014,609
Earnings before interest, income taxes and discontinued operations	11,089,930	2,099,819	1,148,527	-	14,338,276
Interest on debt	547,374	384,075	312,805	-	1,244,254
Earnings before income taxes and discontinued operations	10,542,556	1,715,744	835,722	-	13,094,022
Income taxes	3,532,619	574,915	280,035	-	4,387,569
Net Earnings before discontinued operations	7,009,937	1,140,829	555,687	-	8,706,453
Total identifiable assets	51,164,591	35,856,775	29,175,811	-	116,197,177
Additions to property, plant and equipment	1,997,014	1,458,604	273,676	-	3,729,294
Additions to goodwill	9,686,688	-	-	-	9,686,688

geographic information

(\$)	2008		2007	
	Revenue	Property, plant and equipment and goodwill	Revenue	Property, plant and equipment and goodwill
Canada	103,157,259	29,071,281	114,393,509	31,850,043
U.S.	41,588,136	4,545,034	23,104,384	13,138,533
Other countries	23,649,567	-	23,563,028	-
	168,394,962	33,616,315	161,060,921	44,988,576

Revenue is allocated to geographic regions based on the customer location.

corporate information

auditors

PricewaterhouseCoopers LLP
Edmonton, Alberta

bankers

The Bank of Nova Scotia
Edmonton, Alberta

corporate counsel

Davis LLP
Calgary, Alberta

executives

Jim Rakievich,
President and Chief Executive Officer

Milica Stolic,
Chief Financial Officer

Ted Redmond,
Executive Vice President,
Energy Products & Services

Peggy Robertson,
Vice President, Corporate Affairs
and Corporate Secretary

Shawn Johns,
Vice President,
Truck & Trailer Products & Services

Andy McEachern,
Vice President, Trailer Manufacturing

Tom Watts,
Vice President, Human Resources

transfer agent and registrar

Valiant Trust Company
Edmonton, Alberta

stock exchange

The Toronto Stock Exchange
Trading Symbol – MCB

share information

Outstanding Shares as at December 31, 2008:
26,475,912
Dividend Policy: Quarterly

board of directors

Kerry Brown,
Chairperson

Frank Burdzy

Terry Chalupa

John Howard

Carmen Loberg

Gordon McCormack

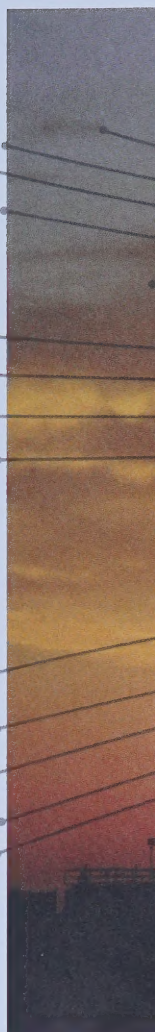
Terry McCoy

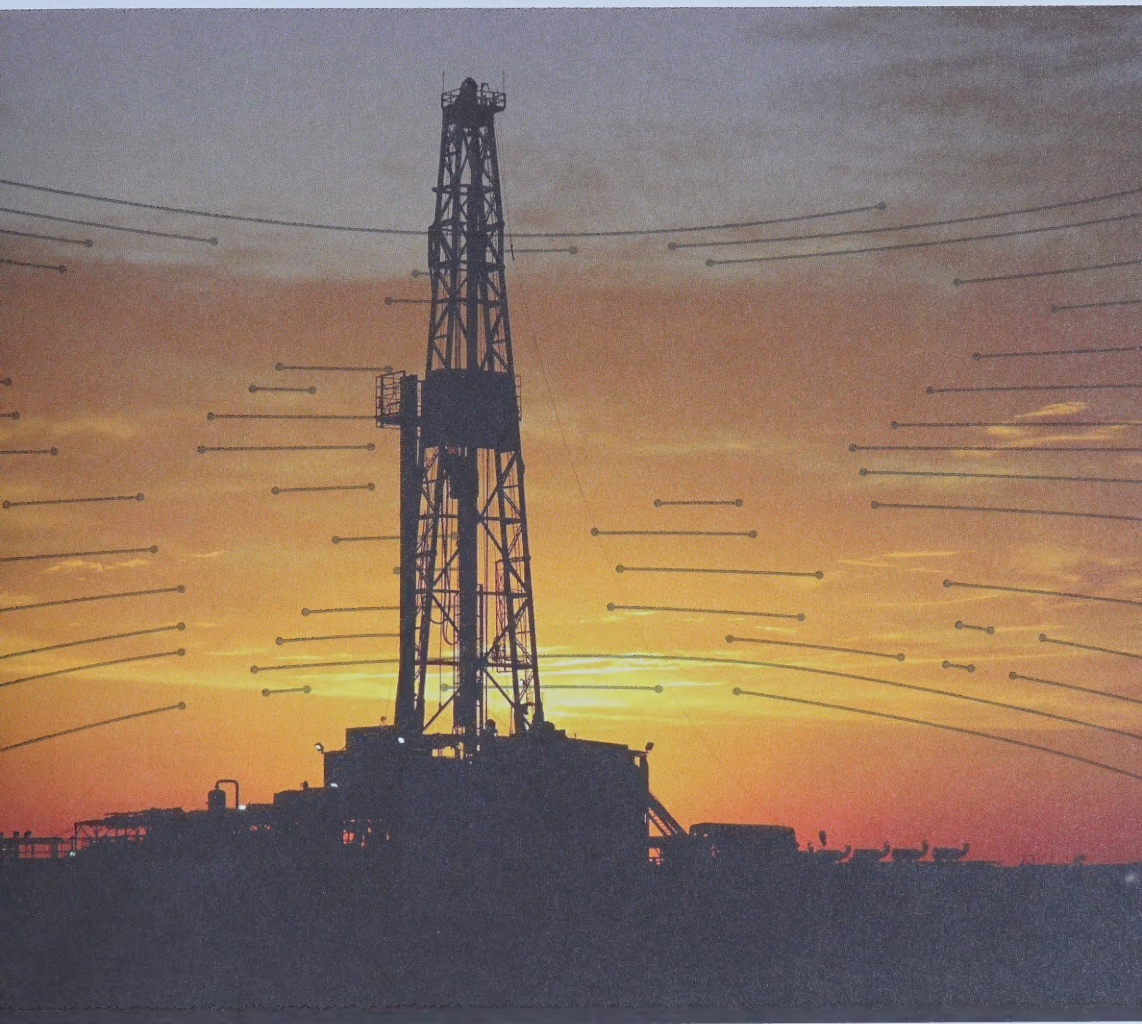
Jim Rakievich

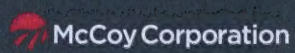
annual general meeting

McCoy's Annual General Meeting
will be held at 4 p.m. Mountain time
on May 14, 2009 at:

The Sutton Place Hotel, Vintage Room,
10235 – 101 Street, Edmonton, Alberta







McCoy Corporation

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